

**Merseyside Integrated Transport Authority
(MITA)**

**Statement of Accounts
For the year ended 31 March 2014**

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY

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**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
EXPLANATORY FOREWORD TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014**

This set of accounts reflect the financial position of the ITA and the ITA Group at 31 March 2014.

The Authority's accounts for the year ended 31 March 2014 are set out on pages 17 to 70. They consist of the:-

- (a) Comprehensive Income and Expenditure Statement - the Authority's main revenue account covering income and expenditure on all Authority services;
- (b) Group Comprehensive Income & Expenditure
- (c) Balance Sheet - which sets out the financial position of the Authority and Group on 31 March 2014;
- (d) Movement in Reserves statements;
- (e) Statement of Cash Flows - which summarises the outflows of cash arising from transactions with third parties for revenue and capital purposes; and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory information.

Group Accounts are now required by the Code of Practice on Local Authority Accounting in the United Kingdom. The Code requires the Authority to treat the Merseyside Passenger Transport Executive as if it were a subsidiary company.

These accounts are supported by the Statement of Accounting Policies and the Annual Governance Statement.

Principal Activities

The direct principal activity of the Authority is the operation of the Mersey Tunnels, and the servicing of Transport and Tunnels Infrastructure debt. In addition, it sets the policies for its subsidiary the MPTE to administer the following services on its behalf:-

- (a) Provision and operation of bus stations, interchanges, bus stops and shelters and other customer facilities;
- (b) Production of timetable and route information on all services;
- (c) Provision and operation of a commuter and leisure ferry service on the River Mersey along with various other leisure attractions to strengthen the local river front economy;
- (d) Administration of the local rail network through rail franchises;
- (e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport;
- (f) Provision of supported bus services in addition to the commercial network.

The Medium Term Financial Strategy had identified the need to ensure that the ITA and Executive had sufficient working balances and reserves in order to meet potential challenges in the future.

Careful consideration is given to the determining of reserve categories. Where reserves are earmarked this is done to ensure that the Authority is able to anticipate or meet any financial shocks. The Authority's reserves can be released to off-set expenditure, but only as an alternative to service reduction, however, once reserves are used, in the current environment, replacement will be extremely difficult.

Key Performance Indicators and Business Review

The financial results of the Authority and the Group (comprising of the Authority, and the Merseyside Passenger Transport Executive and subsidiaries) are shown on pages 18 to 70.

The Authority's management accounts for budgeting purposes, is based on the income and expenditure of the general reserve and shows a surplus for the year of £0k (2012/13 £0k). This basis differs from that shown in the financial statements. The MITA Group position shows a surplus of £276k (2012/13 deficit £7k). The Un/Useable reserves of the Authority at the year-end were £115m (2012/13 £80m). The Group reserves were £208m (2012/13 £163m).

Service Provision

During the year net expenditure of £127.4m (funded by the Levy) was incurred for the provision of transport services consisting of rail, ferries, tunnels, supported bus services and concessionary travel arrangements for the elderly, disabled and children. With the exception of the Authority's direct services (the Mersey Tunnels and Servicing of £0.2bn Tunnels and Transport Infrastructure debts), all other transport services are secured through the Executive which is financed by Authority grants.

Income and Expenditure of General Reserve

A simplified revenue management accounts outturn summary is given below for the general reserve of both the Authority and the Group position:-

2012/13		MITA Accounts	2013/14			
Actual			Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		<u>Gross Expenditure</u>				
37,709	15	Tunnels	34,006	31,596	40,207	15
25,605	10	Transport Infrastructure	31,941	37,051	25,335	10
190,072	75	MITA Grant (including Special Rail and Concessionary Travel Grants)	197,647	200,574	198,910	74
896	0	Corporate & Democratic Core	1,614	1,728	1,729	1
254,282	100		265,208	270,949	266,181	100
		<u>Funded by -</u>				
37,709	15	Service Income (Tunnel Tolls etc.)	44,564	44,976	40,207	15
89,209	35	Direct Grants	93,280	98,609	98,610	37
-	-	Use of Reserves	-	-	-	0
126,918	50	Sub Total	137,844	143,585	138,817	52
127,364	50	Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	48
254,282	100	Total Funding	265,208	270,949	266,181	100

This and the following table are only intended to show spending against approved budgets. They differ from the CIES in that the CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the Levy. The Levy (local taxation) is raised to cover expenditure in accordance with regulations which may differ from the accounting cost. The taxation position is shown in the MIRS.

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2012/13		Group Accounts	2013/14			
Actual			Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		<u>Gross Expenditure</u>				
37,709	11	Tunnels	34,006	31,596	40,207	11
58,722	17	Transport Infrastructure/Funding	43,946	51,023	65,085	18
4,360	1	Corporate & Democratic Core	3,224	3,453	3,094	1
12,141	3	Mersey Ferries	11,197	10,616	10,091	3
28,118	8	Bus Services	30,201	29,198	29,425	8
107,524	32	Rail Services	114,119	119,364	115,522	33
81,828	23	Travel Concessions	83,935	81,108	82,461	23
8,196	2	Hubs	10,989	10,934	8,679	2
65	0	GSMRTIG	-	-	-	0
7,328	2	People & Customer Development	6,449	5,525	5,363	1
3,354	1	LTP & Policy Development	3,809	3,820	3,586	1
349,345	100		341,875	346,637	363,513	101
		<u>Funded by -</u>				
132,765	38	Service Income	120,998	120,664	137,815	38
89,209	26	Direct Grants	93,280	98,609	98,610	27
-	0	Other Grants	-	-	-	0
7	0	Use of General Reserves	233	-	(276)	0
221,981	64	Sub Total	214,511	219,273	236,149	65
127,364	36	Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	35
349,345	100	Total Funding	341,875	346,637	363,513	100

Cash flow

Although base rate continues to be at historically low levels, interest of £1.1m was earned during 2013/14 (£1.4 2012/13) through prudent short term deposits of surplus monies. The ITA continues to benefit from surplus PTE monies being on- lent to the ITA interest free, to permit bulk placements on the money market thereby maximising investment opportunities and returns to Merseytravel.

Pension surplus/deficit

The ITA participates in a defined benefit pension scheme administered on its behalf by the Merseyside Pension Fund (MPF). Pension costs have been charged to the Comprehensive Income and Expenditure Statement (CIES) in line with IAS19, then reversed out, applying the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation's 2011. For a fuller explanation of the ITA's pension deficit please refer to Note 31.

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Future planned development

The ITA continues to support the development of a fully integrated transport system, with our District partners, for Merseyside through the latest Local Transport Plan (LTP3 2011-2015). Information on LTP3 can be found on the Merseytravel website. Preliminary work has started on the development of LTP4, which will now also encompass Halton Borough Council.

Mersey Tunnels Fixed Asset Valuation

The ITA has a policy of revaluing the Mersey Tunnel fixed assets. The first valuation was carried for the 2003/4 accounting year, and the latest revaluation was carried out in March 2014.

The March 2014 revaluation was undertaken by District Valuers Service, experts in public sector asset valuations. The valuation certificates for the properties are supplied for the purpose of "implementing the recommendations of CIPFA with regard to the valuation of capital assets held by Public Authorities". The Code of Practice on Local Authority Accounting (The Code) states Infrastructure assets should be measured at historical cost, and defines this to be the carrying amount of the assets as at April 2007, adjusted for subsequent depreciation or impairment.

Revenue Financing

The Authority receives direct revenue support from the five Merseyside District Councils through levying procedures. Central Government contributed towards this support through the RSG Settlement; by providing Special Rail Grant to specifically prevent the extra costs of rail privatisation falling upon the council taxpayer.

Capital Programme

In 2013/14 the Authority provided Capital grants to the Executive of £12.9m (£8.9m, 2012/13) along with direct capital investment on the Mersey Tunnels totalling £8.6m (2012/13 £7.5m). Details of some of the largest schemes are as follows:-

ITA Schemes

- (a) Mersey Tunnels projects including Replacement of High mast lighting £1.3m, Kingsway tunnel resurfacing £3.1m, Fire alarm system upgrade £0.4m, specialist vehicle procurement £0.5m, Phone system renewal £0.4m, and other works to the tunnels fabric, plant and machinery.

ITA Group Schemes

- (b) Support to District highway improvements of £3.3m.
- (c) Substantial progress in Merseytravel's visionary programme to improve integrated public transport along major corridors and centres in Merseyside.
- (d) Investment in upgrading bus facilities via DfT Better bus grant of £1.6m
- (e) Access improvements to the park and ride site at Birkenhead North of £2.8m

The ITA and its Group liabilities can be funded from its own internal resources and expected external grants and contributions. The Authority is currently formulating an ambitious plan to replace the existing rolling stock on the Merseyrail franchise. This scheme is currently in development, and as such the full cost and financing of the project are still under discussion, and are not shown as commitments.

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Capital Financing/Borrowing

During the year, the Capital Programme was financed as follows:

2013/14	ITA £000's	Group £000's
Capital Expenditure	8,619.2	21,792.6
Financed by :-		
Lease Incentive	-	-
Grants/Contributions	53.7	9,664.0
Renewals fund / tolls	8,565.5	8,565.5
Reserves		3,563.1
	8,619.2	21,792.6

The Capital Financing Requirement at 31 March 2014 was £236.9m (31/3/13 £247.2m). Actual external debt at 31 March 2014 was £235.4m, (31/3/13 £246.8m).

Tunnels Repair and Renewal Reserve

The Medium Term Financial Strategy has expressed the intention that the Tunnels Repair and Renewal Reserve be maintained at a level of £2.5m or above. This Reserve stood at £5.8m as at 31 March 2014. (31/3/12 £7.3m)

Principal Risks and Uncertainties

Principal risks and uncertainties facing the Authority's reserves were as follows:-

(i) Compliance Risk

If Merseytravel has to utilise scarce reserves and working balances in order to mitigate against over-spending or shortfalls in revenue generation, then there is the risk of failing to achieve the ITA's financial objectives.

(ii) Energy Shocks

Typical risks here include further increases in fuel cost which will have a direct impact upon the cost basis of Mersey Tunnels, Ferries and the supported bus network. Conversely, high petrol costs could impact the organisation in a number of ways, e.g. greater use of concessionary travel (and hence cost) or a slight downturn in discretionary travel traffic.

(iii) Population Demographics

The impact of the post-war baby boom will result in more people being eligible for concessionary travel, even allowing for the recent changes in eligibility. The arrangements with the major bus operators and Merseyrail are on the basis that all eligible persons will have access to a local concession until they reach the age for the national concession. These arrangements have a cap and collar arrangement to insulate the ITA from costs that the PTE could be exposed to.

(iv) Industry Consolidation/Transition

It is possible that further consolidation of bus operators could take place. There is no intelligence to suggest that this is happening either with the big operators or indeed with the smaller operators who predominantly provide contracts to Merseytravel. The risk with consolidation is that the supply side can result in fewer operators, resulting in less price competition for tenders.

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(v) Consumer Demand Shifts

A prolonged period of recession, as the country is now suffering, will impact upon consumer choice especially with regards to discretionary spending rather than 'routine' commuter expenditure. Conversely, discretionary spend could increase if the economy improves.

(vi) Global Financial Shocks

The consequences of shocks affecting interest rates; currency rates; unemployment and economic growth.

Currently the impact of any new public sector measures that the Government might bring in during 2013/14 and beyond cannot be accurately assessed.

Political and Charitable Donations

For 2013/14, Merseytravel adopted Mencap as its chosen charity organisation, and made a donation of £2k, in addition to fund raising activities carried out by staff. There were no political donations made by Merseytravel during 2013/14.

Future Developments

Regarding future developments the following are planned:-

(a) New and Improved Facilities programmed for 2014/15:

- To continue to renew the Mersey Tunnels through a £9m refurbishment programme
- Commence refurbishment works at Kirkby bus station
- Enhance bus service routes through the use of Better Bus Fund grants and LSTF funding

(b) Over the next 3-5 years:

- Enhance access at many stations
- Development proposals to extend the network initially to Headbolt Lane, Kirkby and Wrexham
- Develop proposals to reopen the Halton Curve to introduce a service between Lime Street, Liverpool South Parkway, Runcorn and Chester and development proposals to replace the existing rolling stock.
- To continue the renewal of the Mersey Tunnels assets.

Safe and Secure Network

- Increase CCTV on bus and rail services and continue to work with partners to reduce the number of incidents on the transport network.

Better Services

- Help protect the environment by reducing carbon emissions and operating sustainably.
- Use the new powers of the Local Transport Act to improve and more fully integrate the transport network.
- Work with our bus and rail operator colleagues to improve the reliability of transport information.

Value for Money

- Continue to develop service efficiencies and operate responsibly.
- Keep supported bus fares at the current level for as long as possible.
- Work with bus and rail operators to improve the reliability of transport information.
- Support economic regeneration partnerships and initiatives.

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Research and Development

For the normally accepted definition of a company's R&D, there were no research and development activities during 2013/14 by the Merseytravel group.

Trade Payables

Provision has been made for known liabilities, goods received and work carried out as at 31 March 2014. Generally the Authority aims to pay all of its undisputed creditors within 30 days.

Within Merseytravel's Performance Plan a "payment within 30 days" target of 100% has been set, against which the actual performance was 96.7 %. This compares to a performance of 96.1% of undisputed creditors paid within 30 days during the year 2012/13

Directors of the Authority

The Directors of the Authority who held offices during 2013/14 were as follows:

D Brown	Chief Executive (appointed 27/5/13)
E Chandler	Director of Corporate Development
F Rogers	Director of Customer Services/Deputy Chief Executive
J Fogarty	Director of Resources (appointed 1/4/13)

D Brown
Chief Executive

J Fogarty
Director of Resources

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Merseyside Integrated Transport Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Merseyside Integrated Transport Authority, that officer is the Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Responsibilities of the Director of Resources

The Director of Resources is responsible for the preparation of the Merseyside Integrated Transport Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of the Merseyside Integrated Transport Authority at the accounting date and its income and expenditure for the year end 31 March 2014.

In preparing this statement of accounts, the Director of Resources has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent.
- complied with the local authority Code

The Director of Resources has also:-

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts present a true and fair view of the financial position of the Merseyside Integrated Transport Authority as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014. The Statement of Accounts was authorised for issue by the Director of Resources on 30 September 2014. Events taking place after the Balance Sheet date have been considered up to the date of issue.

J Fogarty
Director of Resources

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

Scope of responsibility

The Merseyside Integrated Transport Authority (the Authority) was responsible for ensuring that its business was conducted in accordance with the law and proper standards' that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively during 2013/14.

The Merseyside Integrated Transport Authority ceased to exist on 31st March 2014 and its responsibilities were transferred to the Liverpool City Region Combined Authority. As a result, this annual governance statement represents the position during the final year of account for the Merseyside Integrated Transport Authority.

The Legal Framework that supported the Authority was governed by various statutory provisions, the main ones being:

- The Transport Act 1968
- The County of Merseyside Act 1980
- The Mersey Tunnels Act 2004
- The Transport Act 1983
- The Transport Act 1985
- The Transport Act 2000
- The Railways Act 2005
- EU Regulation on Public Passenger Transport Services by Rail and By Road (1370/2007)
- The Local Government Finance Act 1972
- The Local Government Act 1999

Many of the functions of The Authority were discharged by Merseyside Passenger Transport Executive (the Executive), which is a separate statutory body that is controlled by, and was accountable to The Authority. The Executive will continue beyond 2013/14 and will be accountable to the Combined Authority.

The Executive is subject to its own annual Statement of Accounts, however its governance framework reflects that of the Authority and as such, issues relating to the Executive are considered within this governance statement where appropriate.

The Authority also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority was responsible for putting in place proper arrangements for the governance of its affairs. This included facilitating the effective exercise of its functions, and making appropriate arrangements for the management of risk.

The Authority approved and adopted a governance framework which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's constitution and other policies related to the governance framework is published through our website at www.merseytravel.gov.uk.

The constitutional framework was fundamentally reviewed during 2013/14 in order to improve governance.

This statement explains how the Authority complied with the code and also met the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority was directed and controlled in its activities. It was the mechanism through which it was accountable to, engaged with and led its stakeholders. It enabled the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.

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The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. Any system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives but the arrangements put in place at Merseyside Integrated Transport Authority were intended to provide a reasonable - but not absolute - assurance of effectiveness.

The system of internal control was based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. It also sought to evaluate the likelihood and potential impact of those risks being realised, and to manage those risks efficiently, effectively and economically.

The governance framework that was in place at the Authority for the year ended 31 March 2014 changed significantly during the year. Significant improvements were made during 2013/14 including the establishment of an Audit and Governance Committee within a fundamental review of the organisation's constitutional framework.

The governance framework

The governance framework itself was based around the organisation's Corporate Plan. This document established the key priorities for the Authority and was determined following consultation with passengers and other key stakeholders within Merseyside and beyond.

The Corporate Plan for 2013/14 set the template for all of the organisation's activities and represented the articulation of its priorities and values.

The Corporate Plan was supported by Directorate Plans and Service Plans and was underpinned by a budget and staffing structures that ensured that resources were available to meet those corporate objectives. A performance management system ensured that high-quality services were delivered effectively and efficiently. This was achieved through the translation of overall objectives into individual performance plans and by monitoring and measuring outcomes against key targets.

Training and development was an important aspect of the overall performance management framework and the organisation maintained a training and development programme linked to corporate priorities. That included both officers and elected members.

The Authority revised its procedure rules, standing orders, scheme of delegation and financial regulations during 2013/14. These revisions improved and clarified how decisions were taken and where authority lies. The revised constitution also better reflected the organisation's ethical standards.

There were three statutory officers with legal responsibilities for assurance and governance. These were the Head of Paid Service (Chief Executive), the Chief Financial Officer (Director of Resources) and the Monitoring Officer (Head of Legal and Member Services).

Both the Head of Paid Service and the Chief Financial Officer were new appointments in 2013/14. In addition to these appointments, the Authority also appointed a new Head of Internal Audit during 2013/14 to complete its governance team.

The Chief Financial Officer was the designated Section 151 Officer and complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Further assurance was provided through the maintenance of an Internal Audit function. Internal Audit reviewed the internal control framework across the organisation, based on a formal risk assessment, and presented recommendations where internal control weaknesses were identified. The work of our external auditors is also a key element of the assurance framework.

The effectiveness of the Internal Audit service was greatly improved during 2013/14 through the establishment of an Audit and Governance Committee.

The organisation also maintained a register of key corporate risks and has risk management practices and processes in place as part of the overall governance framework. These arrangements were also reviewed during 2013/14.

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Review of the effectiveness of the governance framework

The Authority was responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The effectiveness review is informed by the work of Internal Audit and those key officers within The Authority and The Executive with responsibility for the development and maintenance of the governance environment.

The assessment of the effectiveness of the control framework was also informed by our external auditors and other review agencies and inspectorates.

Well-publicised concerns raised from a number of sources prompted the Authority to seek a formal Peer Review of its governance arrangements in the summer of 2012. This was conducted by a team of senior professionals from the five Merseyside District Councils, and was led by the Chief Executives of Liverpool City Council and St Helens Council.

The Peer Review highlighted some significant governance concerns and presented the Authority with a detailed action plan to assist the organisation in improving its arrangements. This action plan was accepted in full and its contents were incorporated in the Annual Governance Statement for 2012/13 and corresponding improvement plan.

The 2012/13 Annual Governance Statement identified a number of key areas for improvement and addressing these has been a key corporate priority in 2013/14.

Changes to the constitution, and the establishment of a transparent electronic decision making system for delegated decisions addressed the concerns raised regarding **the effectiveness of decision making** processes highlighted in the 2012/13 accounts.

Risk Management arrangements were identified as an outstanding governance issue in the 2012/13 accounts. The Authority's risk management arrangements have been significantly improved. The Corporate Risk Register was fundamentally changed in 2013/14 to more accurately and openly reflect the organisation's key risks. These changes were undertaken at the highest level and overseen by the new **Audit and Governance Committee**, who are now becoming more active in seeking assurance in respect of the risk management framework.

Internal Audit was also highlighted as an area for improvement in the 2012/13 accounts and significant improvements have been made in this area. The service benefitted from a much higher profile in 2013/14 than was previously the case, and systems and procedures were established to underline the statutory responsibilities and unambiguous rights of access for the Internal Audit service.

The effectiveness of Internal Audit was also greatly strengthened by the establishment of an Audit and Governance Committee and the appointment, late in the year, of a new Chief Internal Auditor.

The 2012/13 Annual Governance Statement identified **Performance Management** as a significant governance issue and this has been an area of significant improvement in 2013/14. The Corporate Plan is a more robust and focussed document and performance reporting is now linked to financial reporting.

The Authority also greatly improved the Performance Management Framework in 2013/14 through the establishment of a formal **Scrutiny** function which oversees our own performance, and that of our key commercial partners as part of its terms of reference.

As a result, the governance framework that was in place on 31st March 2014 was much more robust than in previous years. The organisation was able to demonstrate a much greater understanding of the principles and practice of good governance within a much-improved internal control framework.

At the end of 2013/14 there remained some work to be done to ensure that these improvements, and the underlying changes in the organisation's attitude to corporate governance and risk, were embedded throughout the organisation. This work will continue and will be undertaken by Merseytravel and the Merseytravel Committee on behalf of the Liverpool City Region Combined Authority.

The challenges that remain are summarised in the section below.

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Significant governance issues

Value for Money

A number of high-profile issues came to light in the 2012/13 period of account where the organisation had failed in its duty to secure value for money for the taxpayer. There were no such issues identified in 2013/14 and improvements to the overall governance framework and the transparency of decision-making ensured that value for money was a consideration in all decisions made in 2013/14.

That said, the organisation retains a financial legacy from a number of decisions taken in previous years that continue to have an impact on financial performance.

The most notable of these is the cost of the Mann Island office accommodation, where Merseytravel is the primary tenant despite only occupying around 28% of the building.

Significant efforts have been made in 2013/14 to secure additional tenants and the organisation has been successful in letting a further floor to an external tenant. The facilities in Mann Island are now also being used as a regional resource.

A number of efficiency measures in 2013/14, including better procurement enabled the organisation to identify £8m savings in the year. This in turn, enabled the organisation freeze the transport levy requirement for 2014/15 for the fourth successive year.

That said, anticipated fiscal tightening in the period to come will mean that Merseytravel and the Merseytravel Committee of the Liverpool City Region Combined Authority will need to focus increasingly on achieving value for money in order to deliver its core transport objectives within the context of decreasing resources.

Contract Monitoring

As a result of concerns raised by Internal Audit in 2012/13, the organisation commissioned a review of its relationship with its rail franchise holder, Merseyrail Electrics. This review highlighted a number of concerns regarding the effectiveness of our contract monitoring arrangements which were each addressed during 2013/14.

It should be noted that these concerns related to our arrangements rather than any particular event of failure on the part of the franchise holder. The Merseyrail Franchise continued to perform strongly in 2013/14 both operationally and financially.

A further concern raised by this review is related to risk, and our ability to step in and act as the operator of last resort should the franchise fail in any way. While this risk remains low in terms of likelihood, we have taken steps to formalise these arrangements, and to establish a financial reserve sufficient to sustain the operation of the railway should the train operator cease to fulfil its obligations.

Internal Audit

Whilst our Internal Audit arrangements were greatly strengthened in 2013/14 there remained some outstanding areas for improvement at year-end. These are detailed in the Head of Internal Audit's Annual Report and form the focus priorities for the section in the coming year.

During 2013/14, the organisation commissioned an external IT Audit provider to undertake a comprehensive IT Governance and Audit Needs Assessment, which will inform the 2014/15 IT Audit Plan. This engagement will not only enable effective, specialist IT audit delivery during the year, but also ensure that robust information governance arrangements are embedded and provide assurance that statutory obligations are being met in respect of information management and security.

The Public Sector Internal Audit Standards (PSIAS) came into effect from April 2013 and have superseded the *2006 CIPFA Code of Practice for Internal Audit in the United Kingdom*. Compliance with these Standards is mandatory. Any areas that require action or improvement that have been identified through self-assessment will be addressed, in order that the organisation can demonstrate that it is compliant with the Standards and the associated Code of Ethics and Quality Assurance and Improvement Programme.

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SUMMARY

2013/14 was a pivotal year for both the Authority and the Executive, with significant changes in both the committee structure and in the management and leadership of the organisation. It was a year in which some significant value for money issues forced the organisation to examine its overall governance framework.

An honest, impartial appraisal of the governance framework was conducted on our behalf by colleagues from within the Merseyside group of local authorities. The organisation subjected itself to this Peer Review in order to identify and redress the governance issues that led to the organisation incurring significant costs through a number of ventures in previous years.

The Audit and Governance Committee will now act as the body charged with governance and will oversee the effectiveness of the governance framework and the changes that have been made in 2013/14. The Authority now also has a Scrutiny Committee to provide effective challenge particularly around value for money and the effectiveness of service delivery.

We propose over the coming year to take steps to address those matters identified above and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation through our Audit and Governance Committee and as part of our next annual review.

Signed: _____

Cllr Liam Robinson: Chair of Merseyside Integrated Transport Authority

Signed: _____

David Brown: Chief Executive, Merseyside Integrated Transport Authority

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY**

We have audited the financial statements of Merseyside Integrated Transport Authority for the year ended 31 March 2014 on pages 18 to 70. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the Members of Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority (the Combined Authority), as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Members of the Combined Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 11 to 15 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY**

- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement; and
- locally determined risk-based work on your response to the governance issues that came to light in 2012/13.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of Merseyside Integrated Transport Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Graham Prentice

For, and on behalf of, KPMG LLP Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW
25 September 2014

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

The Comprehensive Income and Expenditure Statement show the costs of the Authority's services, Mersey Tunnels, provision for operating Mersey Ferries (via the Mersey Ferries Ltd subsidiary company), socially necessary bus services, local Merseyrail Electrics and Northern Rail (City Line) train services, the operation of a very comprehensive season and day ticket scheme as well as the provision of statutory and discretionary concessionary travel schemes.

In addition, these tables summarise the key sources of income and financial support the Authority receives. Crucial to these are the Special Rail Grant that funds local rail services and the Levy received from the Merseyside District Councils. This Levy is approved by the ITA at its February budget meeting. A grant is paid to the MPTE to provide services the ITA deem socially necessary. The ITA grant is a product of its levy on the five district councils and is the net sum after those costs borne by the ITA have been accounted for.

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from grant income. The Authority receives grant income to cover expenditure in accordance with regulations; this may be different from the accounting cost. The reserves position is shown in the Movement in Reserves Statement.

2012/13					2013/14			
Gross Expenditure	Gross Income	Net Expenditure	Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£000	£000	£000	£000	MITA	£000	£000	£000	
220,819	40,997	179,822	179,841	Highways & Transport Services	237,499	44,230	193,269	5
896	-	896	896	Corporate & Democratic core	2,190	461	1,729	
24	10	14	14	Non distributed costs	1,243	16	1,227	
221,739	41,007	180,732	180,751	Cost of Services	240,932	44,707	196,225	
17,170	3,975	13,195	13,515	Financing & Investment income	14,437	1,535	12,902	
-	230,387	(230,387)	(230,387)	Taxation & non specific grant income	-	239,530	(239,530)	
238,909	275,369	(36,460)	(36,121)	(Surplus)/deficit on Provision of Services	255,369	285,772	(30,403)	
-	-	-	-	- Impairment of investments	-	-	-	
-	-	-	2,767	Remeasurements (liabilities & assets)	-	4,284	(4,284)	
3,106	-	3,106	-	Actuarial (gains)/losses on pension assets/liabilities	-	-	-	
3,106	-	3,106	2,767	Other comprehensive income & expenditure	-	4,284	(4,284)	
242,015	275,369	(33,354)	(33,354)	Total Comprehensive Income & Expenditure	255,369	290,056	(34,687)	

Further analysis of the CIES can be found within the segmental reporting analysis contained within Note 5.

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executive's pension deficit please refer to Note 31.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

2012/13				GROUP	2013/14			Notes
Gross Expenditure	Gross Income	Net Expenditure	Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	£000		£000	£000	£000	
272,267	187,985	84,282	84,282	Highways & Transport Services	283,227	200,138	83,089	5
896	-	896	896	Corporate & Democratic core	2,190	461	1,729	
3,106	-	3,106	3,274	Non distributed costs	5,125	16	5,109	
276,269	187,985	88,284	88,452	Cost of Services	290,542	200,615	89,927	
27,614	13,006	14,608	16,232	Financing & Investment income	17,325	1,583	15,742	
-	141,440	(141,440)	(141,440)	Taxation & non specific Grant income	-	142,464	(142,464)	
303,883	342,431	(38,548)	(36,756)	(Surplus)/deficit on Provision of Services	307,867	344,662	(36,795)	
1,295	-	1,295	1,295	Impairment of investments	-	-	-	
			12,855	Remeasurements (liabilities & assets)	-	7,606	(7,606)	
14,647	-	14,647	-	Actuarial (gains)/losses on pension assets/liabilities	-	-	-	
15,942	-	15,942	14,150	Other comprehensive income & expenditure	-	7,606	(7,606)	
319,825	342,431	(22,606)	(22,606)	Total Comprehensive Income & Expenditure	307,867	352,268	(44,401)	
				(Surplus)/deficit attributable to:				
		(22,606)		MITA			(44,401)	
		-		Minority interests			-	
		(22,606)	-	Total (Surplus)/deficit			(44,401)	

Further analysis of the CIES can be found within the segmental reporting analysis contained within Note 5.

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executive's pension deficit please refer to Note 31.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing difference shown in the Movement in Reserves Statement line 'Adjustment between accounting basis and funding basis under regulations'.

Internal Loans on the face of the Balance Sheet relate to surplus MPTE monies on lent to the ITA, interest free, to allow maximisation of funds to be invested short term on the money market. These are reversed upon consolidation.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
BALANCE SHEET AS AT 31 MARCH 2014**

As at 31/03/2013			As at 31/03/2014		Note No.
Authority £000	Group £000		Authority £000	Group £000	
		NON-CURRENT ASSETS			
		Property, Plant & Equipment:			
4,843	4,843	Freehold Property	5,864	5,864	
5,536	6,181	Leasehold Property	5,339	5,953	
1,348	28,628	Vehicles, Plant, Furniture & Equipment,	1,630	29,508	
272,404	350,318	Infrastructure Assets	276,409	352,946	
-	893	Assets Under Construction	-	893	
74	593	Surplus Assets	74	593	
284,205	391,456	Total PPE	289,316	395,757	15
450	835	Heritage assets	450	835	16
-	1,695	Intangible Assets:	-	1,695	19
-	-	Investments	-	-	20
3,785	818	Long Term Debtors	3,657	798	24
288,440	394,804	TOTAL NON-CURRENT ASSETS	293,423	399,085	
		CURRENT ASSETS			
90,225	90,225	Short-term investments	118,774	118,774	21
-	-	Assets Held for Sale	-	-	22
615	1,072	Inventories	622	1,038	23
9,494	24,698	Short Term Debtors	5,125	24,973	24
31,130	58,241	Cash and cash equivalents	261	36,170	25
131,464	174,236	TOTAL CURRENT ASSETS	124,782	180,955	
419,904	569,040	TOTAL ASSETS	418,205	580,040	
		CURRENT LIABILITIES			
(11,379)	(11,379)	Short Term Borrowing	(11,099)	(11,099)	29
(67,403)	(62,085)	Short Term Creditors	(45,334)	(44,638)	26
(228)	(467)	Provisions	(39)	(600)	27
(79,010)	(73,931)	TOTAL CURRENT LIABILITIES	(56,472)	(56,337)	
52,454	100,305	NET CURRENT ASSETS	68,310	124,618	
		NON-CURRENT LIABILITIES			
-	(168)	Long Term Creditors	-	(168)	
(605)	(3,313)	Provisions	(1,993)	(4,185)	27
(235,398)	(235,398)	Long Term Borrowing	(224,299)	(224,299)	29
(15,324)	(83,968)	Pension Liability	(11,537)	(78,738)	31
(9,101)	(9,108)	Other Long Term Liabilities	(8,751)	(8,759)	
(260,428)	(331,955)	TOTAL NON CURRENT LIABILITIES	(246,580)	(316,149)	
80,466	163,154	NET ASSETS	115,153	207,554	
		FUNDS BALANCES & RESERVES			
63,461	108,654	Useable Reserves	78,806	132,935	30
17,005	54,502	Unusable Reserves	36,347	74,622	30
-	(2)	Minority Interest	-	(2)	
80,466	163,154	TOTAL RESERVES	115,153	207,555	

The notes from page 26 onwards form part of these accounts.

Director

Director

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

This statement shows the movement in the year on different reserves held by the Authority, analysed in to “useable” reserves (i.e. those that can be applied to fund expenditure or reduce the charge to local taxpayers, through the Levy) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure statement. These are different from the statutory amounts required to be charged to the General Fund balance. The “Net Increase/Decrease before Transfers to Earmarked Reserves” line shows the statutory General Fund balance before any discretionary transfer to or from earmarked reserves.

Group 2012/13	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Deferred Capital Grants £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Minority Interest £000	Total Reserves £000
Bal b/f 1st April 2012	1,725	84,419	86,144	(70,315)	5,779	102,887	49	16,793	55,193	(789)	140,548
Movement in Reserves during 2012/13:											
Surplus on the provision of services	36,756	-	36,756	-	-	-	-	-	-	-	36,756
Impairment of investments	(1,295)	-	(1,295)	-	-	-	-	-	-	-	(1,295)
Remeasurements (liabilities & assets)	-	-	-	(12,855)	-	-	-	-	(12,855)	-	(12,855)
Total comprehensive income & expenditure	35,461	-	35,461	(12,855)	-	-	-	-	(12,855)	-	22,606
Pensions charged to CIES (Note 31)	7,025	-	7,025	(7,025)	-	-	-	-	(7,025)	-	-
Employers contribution	(6,227)	-	(6,227)	6,227	-	-	-	-	6,227	-	-
Grants applied MITA revenue from capital	-	-	-	-	-	-	-	-	-	-	-
Capital grants applied to PPE	-	(5,230)	(5,230)	-	-	5,230	-	-	5,230	-	-
Release from reserves re depreciation	8,683	-	8,683	-	(1,536)	(4,057)	-	(3,090)	(8,683)	-	-
Premiums/discounts re extinguished loans	13	-	13	-	-	-	(13)	-	(13)	-	-
Capital expenditure charged to general fund	(7,500)	-	(7,500)	-	-	-	-	7,500	7,500	-	-
Statutory provision for financing charged to General fund	(10,728)	-	(10,728)	-	-	-	-	10,728	10,728	-	-
Disposal of assets held for sale	-	1,800	1,800	-	-	(1,800)	-	-	(1,800)	-	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(8,734)	(3,430)	(12,164)	(798)	(1,536)	(627)	(13)	15,138	12,164	-	-
Net increase/(decrease) before transfers to earmarked funds	26,727	(3,430)	23,297	(13,653)	(1,536)	(627)	(13)	15,138	(691)	-	22,606
Transfers to/from earmarked funds											
Transfers to earmarked reserves	(25,748)	24,961	(787)	-	-	-	-	-	-	787	-
Released from reserves	-	-	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(25,748)	24,961	(787)	-	-	-	-	-	-	787	-
Increase/(Decrease) in year	979	21,531	22,510	(13,653)	(1,536)	(627)	(13)	15,138	(691)	787	22,606
Balance 31 March 2013 carried forward	2,704	105,950	108,654	(83,968)	4,243	102,260	36	31,931	54,502	(2)	163,154

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

Group 2013/14	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Deferred Capital Grants £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Minority Interests £000	Total Reserves £000
Bal b/f 1st April 2013	2,704	105,950	108,654	(83,968)	4,243	102,260	36	31,931	54,502	(2)	163,154
Movement in Reserves during 2013/14:											
Surplus on the provision of services	36,795	-	36,795	-	-	-	-	-	-	-	36,795
Impairment of investments	-	-	-	-	-	-	-	-	-	-	-
Remeasurements (liabilities & assets)	-	-	-	7,606	-	-	-	-	7,606	-	7,606
Total comprehensive income & expenditure	36,795	-	36,795	7,606	-	-	-	-	7,606	-	44,401
Pensions charged to CIES (note 31)	8,443	-	8,443	(8,443)	-	-	-	-	(8,443)	-	-
Employers contribution	(6,067)	-	(6,067)	6,067	-	-	-	-	6,067	-	-
Capital grants applied to PPE	-	(4,270)	(4,270)	-	-	4,270	-	-	4,270	-	-
Release from reserves re depreciation	8,235	-	8,235	-	(403)	(4,546)	-	(3,286)	(8,235)	-	-
Premiums/discounts re extinguished loans	14	-	14	-	-	-	(14)	-	(14)	-	-
Capital expenditure charged to general fund	(8,609)	-	(8,609)	-	-	-	-	8,609	8,609	-	-
Statutory provision for financing charged to General fund	(10,260)	-	(10,260)	-	-	-	-	10,260	10,260	-	-
Disposal of assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(8,244)	(4,270)	(12,514)	(2,376)	(403)	(276)	(14)	15,583	12,514	-	-
Net increase/(decrease) before transfers to earmarked funds	28,551	(4,270)	24,281	5,230	(403)	(276)	(14)	15,583	20,120	-	44,401
Transfers to/from earmarked funds											
Transfers to earmarked reserves	-	-	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in year	28,551	(4,270)	24,281	5,230	(403)	(276)	(14)	15,583	20,120	-	44,401
Balance 31 March 2014 carried forward	31,255	101,680	132,935	(78,738)	3,840	101,984	22	47,514	74,622	(2)	207,555

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

MITA 2012/13	Revenue Reserves	Earmarked Reserve	Total Useable Reserves	Pension Reserve (Note 30)	Revaluation Reserve (Note 30)	Financial Instruments (Note 30)	Capital Adjustment Account (Note 30)	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000s	£000	£000
Bal b/f 1st April 2012	1,142	40,975	42,117	(12,242)	395	49	16,793	4,995	47,112
Movement in Reserves during 2012/13:									
Surplus on the provision of services	36,121	-	36,121	-	-	-	-	-	36,121
Remeasurements (liabilities & assets)	-	-	-	(2,767)	-	-	-	(2,767)	(2,767)
Total comprehensive income & expenditure	36,121	-	36,121	(2,767)	-	-	-	(2,767)	33,354
Pensions charged to CIES (note 31)	999	-	999	(999)	-	-	-	(999)	-
Employers contribution	(684)	-	(684)	684	-	-	-	684	-
Release from reserves re depreciation	3,123	-	3,123	-	(33)	-	(3,090)	(3,123)	-
Premiums/discounts re extinguished loans	13	-	13	-	-	(13)	-	(13)	-
Capital expenditure charged to general fund	(7,500)	-	(7,500)	-	-	-	7,500	7,500	-
Statutory provision for financing charged to General fund	(10,728)	-	(10,728)	-	-	-	10,728	10,728	-
Capital grants received	8,900	-	8,900	-	-	-	(8,900)	(8,900)	-
Grants applied	(8,900)	-	(8,900)	-	-	-	8,900	8,900	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(14,777)	-	(14,777)	(315)	(33)	(13)	15,138	14,777	-
Net increase/(decrease) before transfers to earmarked funds	21,344	-	21,344	(3,082)	(33)	(13)	15,138	12,010	33,354
Transfers to/from earmarked funds									
Transfers to earmarked reserves	(21,344)	21,344	-	-	-	-	-	-	-
Released from reserves	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(21,344)	21,344	-	-	-	-	-	-	-
Increase/(Decrease) in year	-	21,344	21,344	(3,082)	(33)	(13)	15,138	12,010	33,354
Balance 31 March 2013 carried forward	1,142	62,319	63,461	(15,324)	362	36	31,931	17,005	80,466

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

MITA 2013/14	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Total Reserves £000
Bal b/f 1st April 2013	1,142	62,319	63,461	(15,324)	362	36	31,931	17,005	80,466
Movement in Reserves during 2013/14:									
Surplus on the provision of services	30,403	-	30,403	-	-	-	-	-	30,403
Remeasurements (liabilities & assets)	-	-	-	4,284	-	-	-	4,284	4,284
Total comprehensive income & expenditure	30,403	-	30,403	4,284	-	-	-	4,284	34,687
Pensions charged to CIES (note 31)	1,201	-	1,201	(1,201)	-	-	-	(1,201)	-
Employers contribution	(704)	-	(704)	704	-	-	-	704	-
Release from reserves re depreciation	3,300	-	3,300	-	(14)	-	(3,286)	(3,300)	-
Premiums/discounts re extinguished loans	14	-	14	-	-	(14)	-	(14)	-
Capital expenditure charged to general fund	(8,609)	-	(8,609)	-	-	-	8,609	8,609	-
Statutory provision for financing charged to General fund	(10,260)	-	(10,260)	-	-	-	10,260	10,260	-
Capital grants received	12,910	-	12,910	-	-	-	(12,910)	(12,910)	-
Grants applied	(12,910)	-	(12,910)	-	-	-	12,910	12,910	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(15,058)	-	(15,058)	(497)	(14)	(14)	15,583	15,058	-
Net increase/(decrease) before transfers to earmarked funds	15,345	-	15,345	3,787	(14)	(14)	15,583	19,342	34,687
Transfers to/from earmarked funds									
Transfers to earmarked reserves	(15,345)	15,345	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(15,345)	15,345	-	-	-	-	-	-	-
Increase/(Decrease) in year	-	15,345	15,345	3,787	(14)	(14)	15,583	19,342	34,687
Balance 31 March 2014 carried forward	1,142	77,664	78,806	(11,537)	348	22	47,514	36,347	115,153

The notes from page 26 onwards form part of these accounts.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

The Cash flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2013			2014		Note No
Authority £000	Group £000		Authority £000	Group £000	
		Operating Activities			
(36,460)	(38,548)	Net (Surplus)/Deficit on the provision of services	(30,403)	(36,795)	25
		<i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i>			
(3,526)	(11,039)	Depreciation and impairment of property, plant and equipment	(3,508)	(8,655)	
218	4,326	(Increase)/Decrease in trade and other receivables	(4,369)	275	
207	101	(Increase)/Decrease in inventories	7	(33)	
(16,755)	(22,714)	Increase/(Decrease) in trade and other payables	15,647	18,725	
33	526	Movement in Provisions	(1,199)	(1,005)	
		<i>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i>			
-	-	Difference between pension contributions paid and the amounts recognised in the income statement	-	-	
24	994	Transfer from pension reserve	(497)	(2,376)	
-	-	Gain on sale of property plant and equipment	-	-	
-	(21)	Gain/Loss on available-for-sale assets	-	-	
-	-	Revaluation of Non Current assets	-	-	
(56,259)	(66,375)	Net cash flow from operating activities	(24,322)	(29,864)	
		Investing Activities			
7,696	13,029	Purchase of property, plant and equipment and intangible assets	7,714	12,050	
-	(1,779)	Proceeds from sale of assets held for sale	(23)	(23)	
42,988	42,988	Purchase of short term and long term investments	28,549	28,549	
-	-	Loans Advanced	-	-	
(123)	(19)	Loans Repaid	(128)	(20)	
50,561	54,219	Net cash flows from investing activities	36,112	40,556	
		Financing Activities			
(3,200)	-	Internal loan from PTE	-	-	
-	-	Repayment of internal loan to PTE	7,700	-	
11,282	11,282	Repayment of short term and long term borrowing	11,379	11,379	
8,082	11,282	Net cash flows from financing activities	19,079	11,379	
2,384	(874)	Net (increase)/decrease in cash and cash equivalents	30,869	22,071	
(33,514)	(57,367)	Cash and cash equivalents as at 1 April	(31,130)	(58,241)	
(31,130)	(58,241)	Cash and cash equivalents as at 31 March	(261)	(36,170)	

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

1. Summary of Significant Accounting Policies

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011, and the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code).

The financial statements were authorised for issue by the directors on Monday 30 June 2014. The Director of Resources (Section 151 Officer) has on 30 June 2014, authorised that this Statement of Accounts should be issued for distribution. This is the date up to which events after the balance sheet date have been considered.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis modified by the revaluation of certain categories of non-current assets and financial instruments.

Compliance with the IFRS-based Code

The Authority's Statement of Accounts has been prepared in accordance with The Code. Where sufficient detail is not provided in The Code, MITA makes reference to International Financial Reporting Standards in order to account for certain transactions.

Group Accounts and Basis of Consolidation

The consolidated financial statements comprise the accounts of the Authority, Merseyside Passenger Transport Executive and its subsidiary and associated undertakings as at 31 March 2014, which are listed in note 20.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. They are fully consolidated from the date that Authority obtains control, until the date that such control ceases. Uniform accounting policies as set out below are used in the preparation of the group accounts.

Intra-group transactions during the year and balances as at the end of the year are eliminated in the group accounts.

Interests in subsidiaries and unlisted equity interests

The Authority's interests in its subsidiaries and unlisted equity interests are all held through MPTE.

The initial fair value of the Group's unlisted equity interests is based on cost. As the fair value of the equity interest cannot be measured reliably at the end of each year, the cost is estimated at its initial fair value and subsequently reduced by any impairment loss.

Income and expenditure

Grant and other funding income is recognised where there is reasonable assurance that the income will be received and all attached conditions have been complied with.

Expenditure and income is accounted for in the period it takes place, not when cash is received or paid. Income and Expenditure excludes VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Government Grants and Contributions

Where the acquisition of a piece of property plant and equipment is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised in full in the income and expenditure statement. Subsequently, depreciation is charged on the asset to which it relates.

The Department for Transport provides a Special Rail Grant to the Authority to prevent the extra costs of rail privatisation falling upon the Council Taxpayer. This grant is paid to the Executive to finance liabilities arising from two rail franchise agreements made in accordance with the Railways Act 1993.

1 Summary of Significant Accounting Policies (continued)

Lease Income

Rentals receivable under operating leases are credited to income as they arise. Any premiums or incentives within the lease are recognised within income on an equal basis over the term of the lease.

Lease expenditure

Rentals paid under operating leases are charged to expenditure on a straight line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight line basis. See Note 34 for fuller details on Authority and Group leases.

Accounting for the costs of the Carbon Reduction Commitment scheme (CRC)

The Authority is required to participate in the CRC energy efficiency scheme. This scheme is currently in its introductory phase, which lasts until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced) as energy is used. As emissions occur a liability and an expense are recognised. This liability is discharged by surrendering allowances. The liability is measured as the best estimate, normally at the current market price of the number of allowances required to meet any additional liability at the reporting date. The cost (estimated at £120k) is recognised and reported in the cost of services, and is apportioned to services on the basis of energy consumption.

Property, Plant and Equipment

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the asset flow to the Executive or Group and the cost of the item can be measured reliably. General repair and maintenance costs are recognised in the statement of comprehensive income and expenditure in the period in which they are incurred. Measurement: Assets are initially measured at cost comprising the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and disposal of the asset where considered material.

Subsequently assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction are measured at depreciated historical cost as required by the code; such costs may include the costs of replacing significant portions of the asset, upon which the portion being replaced is immediately derecognised. The Mersey Tunnels are classified as infrastructure.
- Non-operational assets and assets that are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value;
- All other classes of property, plant and equipment are measured at fair value. If there is no market-based evidence of fair value because of the specialist nature of the asset, the fair value is estimated using a depreciated replacement cost approach.

The majority of fixed assets with a value of £7,500 (i.e. de-minimis threshold for capitalisation purposes) or more were valued, during a quinquennial valuation, as at 31 March 2009. A further valuation for insurance purposes was carried out in March 2014.

Surpluses arising on the valuation of fixed assets are credited to the fixed asset revaluation reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. The directors are not aware of any material changes to the asset values since the date of revaluation.

Componentisation: The major components of the Group's assets have been identified and are depreciated separately. Assets with comparable useful economic lives are categorised together and are subject to a consistent method of depreciation.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

1 Summary of Significant Accounting Policies (continued)

Depreciation: Depreciation is provided on all assets with finite useful lives by the systematic allocation of their depreciable amounts over their useful lives using the reducing balance method. That portion of depreciation related to any revaluation gain is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Impairment: Annual reviews are made of the estimated remaining life and current carrying amount of assets, ensuring that significant assets are reviewed annually and other assets are reviewed at least every three years. Adjustments to the carrying amount, or remaining useful life, are made where necessary. See impairment of non-financial assets below

Disposals: An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement in the year the item is derecognised, offset by the write-back of any related unamortised grant funding that has been received.

Capital expenditure and capital financing

Capital project grants are recognised as income in the period in which they are received. Expenditure is classified as assets under construction. Upon the assets becoming available for use, the expenditure is categorised to the appropriate class of property, plant and equipment and depreciated from the following month. In the event that capital expenditure does not directly result in an operational asset, the costs are recognised within the Statement of Income and Expenditure as Revenue Expenditure Funded from Capital.

Heritage Assets – FRS30

These assets are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Authority holds heritage assets at their valuation based upon an external valuation in March 2014 by the District Valuers Service (see Note 16).

Assets held for sale

Non-current assets are classified as held for sale, and measured at the lower of carrying amount and fair value less costs to sell, if their value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, and management is committed to the sale, which is expected to complete within one year.

Property, plant and equipment classified as held for sale are not depreciated.

The Authority holds no assets that meet these criteria as at 31 March 2014.

1 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

The Authority assesses each year whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. It is determined for an individual asset, unless it doesn't generate cash inflows independently from other assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted at a rate reflecting the Authority's current assessment of its average borrowing rates. In determining fair value less costs to sell, an appropriate valuation model is used. The calculations are reviewed where possible against other available indicators.

Impairment losses are recognised in the Income and Expenditure Statement in those expense categories consistent with the function of the asset, except for property previously revalued where the revaluation was taken to reserves. In this case the impairment is also recognised in reserves up to the amount of any previous revaluation.

An assessment is also made each year whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognised. Such reversal is recognised in the Income and Expenditure Statement unless the asset is carried at re valued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Business combinations have been accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Statement of Financial Position as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at operating segment level or, if smaller, statutory company level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

The Authority has taken advantage of the option under the first time adoption provision of The Code to use the brought forward value of goodwill as at 1 April 2009 as an appropriate approximation of fair value.

Inventories

Inventories are carried at the lower of cost (including costs incurred in bringing the inventory to its present location, such as freight) and net realisable value, determined on a first in first out basis.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

1 Summary of Significant Accounting Policies (continued)

Financial Assets

Financial assets are classified at initial recognition as loans, cash and cash equivalents (short term deposits) or receivables in accordance with IAS 39 (The Code Chapter 7.3), and recognised at cost. The Authority has not designated any financial assets as at fair value through profit or loss. The Authority's financial assets include cash, short-term deposits, trade and other receivables. Financial assets are derecognised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

Subsequent measurement depends on their classification as follows:-

Cash and cash equivalents: cash and short term deposits in the Statement of Financial Position comprise of cash at bank and in hand and short-term deposits with an initial maturity of 90 days or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Loans and deposits: Consist of non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the assets are amortised, derecognised or impaired.

Trade and other receivables: recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is recognised.

Impairment of financial assets: the Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset, and written off against income.

Financial Liabilities

Financial liabilities are classified at initial recognition as loans and borrowings in accordance with IAS 39 (The Code Chapter 7.2), and recognised at cost. The Authority has not designated any financial liabilities as at fair value through profit or loss. The Authority's financial liabilities include short term creditors, loans and other payables, and bank overdraft. Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

Subsequent measurement depends on their classification as follows:

Loans and borrowings: non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. This includes residual debt inherited on restructuring of local government in Merseyside. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

Trade and other payables: recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Statement of Income and Expenditure in the period in which it is recognised.

Finance leases: refer to other information below.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, if and only if there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

1 Summary of Significant Accounting Policies (continued)

Debtors

Receivables are considered both individually and collectively for impairment and provision is made for all overdue receivables. Where the actual amount has not yet been determined, the amount due has been estimated on the basis of the latest available information.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Authority has a present, legal or constructive obligation as a result of a past event which makes it probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.

Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only if the reimbursement is highly probable.

The expense relating to any provision is recognised in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate reflecting the Authority's current assessment of its average borrowing rates.

A contingent asset arises where an event has taken place that gives a possible asset whose existence will only be confirmed by the occurrence of future uncertain events, not wholly within the control of the Executive. Contingent assets are not recognised in the balance sheet, but disclosed in a note to the accounts where it is probable that there will be an economic benefit or service potential.

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Executive. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Pensions

The Authority participates in a defined benefit pension scheme, the assets of which are held separately in an independently administered fund. The funds are valued every three years by a professionally qualified independent actuary.

The employees of the Authority are members of a Local Government Superannuation Scheme: The Merseyside Pension Fund.

The accounting policy in this area has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. This change requires the recognition within the financial statements of a number of new classes of components of defined benefit costs – net interest on the net defined benefit liability (asset) and re measurement of the net defined liability (asset); and where there is a material impact, new definitions of recognition criteria for termination benefits. Therefore, our reporting reflects the enhanced disclosure. The Authority concludes that there is no material impact of the revised accounting treatment.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the

1 Summary of Significant Accounting Policies (continued)

opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance revenue or cost.

Remeasurements of both assets and liabilities are recognised in full in other comprehensive income in the period in which they occur.

Pension costs have been charged to the CIES in line with IAS 19 (The Code Chapter 6.4) (Employee Benefits). The effect of transfers in the movement in reserves is that the general fund is charged with the employers contributions with the balance between this and the amount charged to the CIES being charged or credited to the Pension Reserve. For fuller information regarding Pensions please refer to Note 31.

Revenue Expenditure Funded from Capital under Statute

These charges represent expenditure which is capital in nature but which does not represent property plant and equipment and therefore written off in the year. They principally comprise works carried out on land and buildings in which the group does not have an interest (e.g. signage and bus stops).

Charges shown in the Authority's accounts represent capital grants for such works to the Executive.

Prudential borrowing

A significant proportion of capital expenditure is financed by borrowing. Provision for the redemption of debt is made in accordance with the Minimum Revenue Provision (MRP) requirements under the Local Government Act 2003. The Authority has resolved to limit its debt repayment to the MRP level, calculated as 4% of the Authority's Capital Financing Requirement, and to re-borrow any additional contractual repayments.

Supported borrowing is used to partly finance capital expenditure and to reduce contractual repayments to minimum revenue provision level requirements under the Local Government Act 2003.

The Authority has resolved that the annual charges arising from prudential borrowing should not be charged to Local Council Tax and are therefore met from sources other than the approved levy. Efforts are made each year to ensure that a budgetary savings programme is in place to at least offset the cost of prudential borrowing.

Mersey Tunnels are charged with depreciation representing a capital charge for all plant used in the provision of services.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as movements within the MIRS.

Revaluation Reserve and Capital Adjustment Account

Revaluation decreases are written off to the Revaluation Reserve only where there is a positive balance on the reserve in relation to the specific asset against which the decrease can be applied. Where there is no such balance or the decrease exceeds the balance the difference is charged to the Income and Expenditure account. As legislation does not permit revaluation losses to be charged to the General Fund, the charge is reversed by crediting the General Fund balance and debiting the Capital Adjustment Account.

Capital Receipts

Capital receipts, which are receipts from the disposal of capital assets, are generally utilised in the year in which they are received. The useable part of the capital receipts is used to finance new capital expenditure.

1 Summary of Significant Accounting Policies (continued)

Overhead and Support Service Allocation

In line with best practice, charges for the cost of central support services are fully charged or apportioned to those that benefit from the supply of service, using time recording and other methods. A proportion of these costs are recharged to the Authority by the Executive.

Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

Prior period adjustments may arise as a result in a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Reserves

Reserves are classified as Useable (identified and maintained for specific future purpose), or Unuseable (retained to manage the accounting processes for non-current assets and retirement and employee benefits) and do not represent useable resources for the Authority.

Tunnels Surplus/Deficit

The Tunnels Act 2004 permits the Authority to raise tolls in line with the RPI Index. Should a surplus arise, powers exist that allow the Authority to utilise those surpluses by transferring monies into the Authority's General Fund for LTP purposes.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts are authorised for issue. Two types of event can be identified:

- Those that existed at the end of the reporting period – the accounts are amended to reflect these events
- Those that arose after the end of the reporting period – the accounts are not amended to include these, but should they have a material effect upon the accounts, disclosure is made in the accounts as to their nature and estimated financial impact

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

2. Accounting standards that have been issued but have not yet been adopted

The following accounting standards have been issued but not yet adopted:

- *IFRS13 – Fair Value Measurement*
- *IFRS10 – Consolidated Financial Statements* issued in May 2011 has minimal impact upon the financial statements
- *IFRS 11 – Joint Arrangements* issued in May 2011 has minimal impact upon the financial statements
- *IFRS 12 – Disclosure of Interests in Other Entities* issued in May 2011 has minimal impact upon the financial statements
- *IAS 27 Separate Financial Statements* amended in May 2011 has minimal impact upon the financial statements
- *IAS 28 Investments in Associates and Joint Ventures* as amended in May 2011 has minimal impact upon the financial statements

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

- *IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* as amended December 2011 has minimal impact upon the financial statements

3. Significant accounting judgements, estimates and assumptions

The preparation of the Authority's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date.

Judgements

In the process of applying the Authority's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating leases: the Authority has various commercial property leases to let out property units to third parties. The Authority has determined that, based on an evaluation of the lease terms and Conditions, that it retains all the significant risks and rewards of ownership and so accounts for the leases as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the period end, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

Property revaluation: The Authority measures some other assets at re valued amounts with any changes being recognised within reserves. Periodically, external surveyors are used and the last independent survey was carried out at March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some sensitivity.

IT Asset Valuations and Depreciation: depreciated historical cost is used as a proxy for fair value due to the relatively short useful economic life of IT assets.

Pension benefits: the cost of defined benefit pension plans is determined using independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end and determined jointly between the pension fund management and the actuaries.

Provision for Bad Debts: debts are provided for as follows:-

- 100% for any debts over 12 months old
- Any debts where information indicates recoverability is in doubt.

Provisions: Provisions set out in note 18 are based on management's best estimate of the amount and timing of liabilities.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

4. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure:

Group	2013/14			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(8,235)	-	8,235	-
Capital grants and contributions applied	13,556	-	(13,556)	-
Revenue Expenditure Funded from Capital under Statute	(13,556)	-	13,556	-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.	-	-	-	-
Capital Grants applied to PPE	-	4,270	(4,270)	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving CIES				
Statutory provision for the financing of capital investment	10,260	-	(10,260)	-
Capital expenditure charged against the General Fund	8,609	-	(8,609)	-
Adjustments primarily involving the Pensions Reserve				
Pension costs charged to CIES (Note 31)	(8,443)	-	8,443	-
Employer's pensions contributions and direct payments	6,067	-	(6,067)	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(14)	-	14	-
Total Adjustments	8,244	4,270	(12,514)	-

Group	2012/13			
	General Fund Balance	Other Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(8,683)	-	8,683	-
Capital grants and contributions applied	13,814	-	(13,814)	-
Revenue Expenditure Funded from Capital under Statute	(13,814)	-	13,814	-
Capital Grants applied to PPE	-	-	-	-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.		(1,800)	1,800	-
Capital Grants applied to PPE		5,230	(5,230)	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving the CIES				
Statutory provision for the financing of capital investment	10,728	-	(10,728)	-
Capital expenditure charged against the General Fund	7,500	-	(7,500)	-
Adjustments primarily involving the Pensions Reserve				
Pension costs charged to CIES (Note 31)	(7,025)	-	7,025	-
Employer's pensions contributions and direct payments	6,227	-	(6,227)	-
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	8,734	3,430	(12,164)	-

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

4 Adjustments between accounting basis and funding basis under regulations (continued)

Authority	2013/14			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(3,286)	-	3,286	-
Revaluation losses on Property, Plant and Equipment	-	(14)	14	-
Capital grants and contributions applied	12,910	-	(12,910)	-
Revenue Expenditure Funded from Capital under Statute	(12,910)	-	12,910	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving CIES:				
Statutory provision for the financing of capital investment	10,260	-	(10,260)	-
Capital expenditure charged against the General Fund	8,609	-	(8,609)	-
Adjustments primarily involving the Pensions Reserve				
Pension costs charged to CIES (Note 31)	(1,201)	-	1,201	-
Employer's pensions contributions and direct payments	704	-	(704)	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(14)	-	14	-
Total Adjustments	15,072	(14)	(15,058)	-

Authority	2012/13			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(3,090)	-	3,090	-
Revaluation losses on Property, Plant and Equipment	-	(33)	33	-
Capital grants and contributions applied	8,900	-	(8,900)	-
Revenue Expenditure Funded from Capital under Statute	(8,900)	-	8,900	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving CIES				
Statutory provision for the financing of capital investment	10,728	-	(10,728)	-
Capital expenditure charged against the General Fund	7,500	-	(7,500)	-
Adjustments primarily involving the Pensions Reserve				
Pension cost charged to CIES (Note 31)	(999)	-	999	-
Employer's pensions contributions and direct payments	684	-	(684)	-
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	14,810	(33)	(14,777)	-

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

5. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice for Local Authorities*. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across business areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

For management purposes, the Authority is organised into business units based on operational areas and has the following reportable segments in the table below.

No operating segments have been aggregated to form the reportable operating segments. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The income and expenditure of the Authority's principle reporting packs for management for the year is as follows:

2012/13				MITA	2013/14		
Exp £'000	Income £'000	Net £'000	Restated Net £'000		Exp £'000	Income £'000	Net £'000
37,025	37,709	(684)	(684)	Mersey Tunnels	39,503	40,207	(704)
3,288	3,288	-	-	Headquarters	4,281	4,281	-
(1,640)	9,317	(10,957)	(11,345)	Funds Management	1,852	13,141	(11,289)
(9,317)	(9,317)	-	-	Inter-Dept Charges	(13,399)	(13,399)	-
(7,509)	-	(7,509)	(7,509)	Capital expenditure charged to Mersey Tunnels	(7,119)	-	(7,119)
-	-	-	407	Pensions current service /curtailment costs	561	-	561
190,072	-	190,072	190,072	Grant to PTE; Revenue Support	198,910	-	198,910
8,900	-	8,900	8,900	Grant to PTE; Capital	12,910	-	12,910
220,819	40,997	179,822	179,841	Highways & Transportation	237,499	44,230	193,269
896	-	896	896	Corporate and Democratic Core	2,190	461	1,729
896	-	896	896	Corporate & Democratic Core	2,190	461	1,729
-	-	-	9	Pensions -Admin expenses	11	-	11
24	10	14	14	Transfer to Provisions	1,232	16	1,216
24	10	14	14	Non Distributed costs	1,243	16	1,227
221,739	41,007	180,732	180,751	Cost of Services	240,932	44,707	196,225
-	-	-	583	Pensions – net interest costs	629	-	629
2,425	2,162	263	-	Pensions – return on assets /interest costs	-	-	-
14,745	1,813	12,932	12,932	Interest receivable and payable	13,808	1,535	12,273
17,170	3,975	13,195	13,515	Financing & Investment Income	14,437	1,535	12,902
-	13,814	(13,814)	(13,814)	Other income	-	13,556	(13,556)
-	-	-	-	Use of reserves	-	-	-
-	127,364	(127,364)	(127,364)	Lewy	-	127,364	(127,364)
-	89,209	(89,209)	(89,209)	SRG	-	98,610	(98,610)
-	230,387	(230,387)	(230,387)	Taxation & Non specific Grant Income	-	239,530	(239,530)
238,909	275,369	(36,460)	(36,121)	(Surplus)/Deficit on Provision of Services	255,369	285,772	(30,403)

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executives pension deficit, please refer to Note 31.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

5 Amounts Reported for Resource Allocation Decisions (Segmental Reporting) (continued)

2012/13				GROUP	2013/14		
Exp £'000	Income £'000	Net £'000	Restated Net £'000		Exp £'000	Income £'000	Net £'000
37,025	37,709	(684)	(684)	Mersey Tunnels	39,503	40,207	(704)
28,118	9,111	19,007	19,007	Bus Services	29,425	10,528	18,897
109,731	108,376	1,355	1,355	Rail Services	117,356	117,690	(334)
81,828	26,528	55,300	55,300	Concessionary Travel	82,461	26,689	55,772
7,999	1,712	6,287	6,287	Hubs	8,652	2,304	6,348
11,905	8,420	3,485	3,485	MFL Group	9,883	8,603	1,280
5,799	9,417	(3,618)	(3,618)	Funds Management	10,425	13,241	(2,816)
(39,356)	(39,356)	-	-	Inter Dept Charges	(42,946)	(42,946)	-
-	-	-	3,652	Pensions current service /curtailment costs	4,945	-	4,945
(7,509)	-	(7,509)	(7,509)	Capital expenditure charged to Mersey Tunnels	(7,119)	-	(7,119)
36,727	26,068	10,659	7,007	Other Services	30,642	23,822	6,820
272,267	187,985	84,282	84,282	Highways & Transportation	283,227	200,138	83,089
896	-	896	896	Corporate and democratic core	2,190	461	1,729
896	-	896	896	Corporate & Democratic Core	2,190	461	1,729
200	-	200	200	Transfer to Provisions	1,407	16	1,391
2,906	-	2,906	3,074	Pensions special contributions	3,718	-	3,718
3,106	-	3,106	3,274	Non Distributed costs	5,125	16	5,109
276,269	187,985	88,284	88,452	Cost of Services	290,542	200,615	89,927
12,861	11,193	1,668	-	Pensions – return on assets /interest costs	-	-	-
			3,292	Pensions – net interest costs	3,400	-	3,400
14,745	1,813	12,932	12,932	External interest	13,808	1,583	12,225
8	-	8	8	Taxation & Non specific Grant Income	117	-	117
27,614	13,006	14,608	16,232	Financing & Investment Income	17,325	1,583	15,742
-	13,814	(13,814)	(13,814)	Other income	-	13,556	(13,556)
-	262	(262)	(262)	Grants	-	1,544	(1,544)
-	-	-	-	Use of reserves	-	-	-
-	127,364	(127,364)	(127,364)	Levy	-	127,364	(127,364)
-	141,440	(141,440)	(141,440)	Taxation & Non specific Grant Income	-	142,464	(142,464)
303,883	342,431	(38,548)	(36,756)	(Surplus)/Deficit on Provision of Services	307,867	344,662	(36,795)

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executives pension deficit, please refer to Note 31.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

5 Amounts Reported for Resource Allocation Decisions (Segmental Reporting) (continued)

(a) Analysis of 2014 principal directorates

Group 2014	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	40,207	10,528	19,080	26,689	7,903	39,844	144,251	(42,946)	-	101,305
Government grant income	-	-	98,610	-	-	-	98,610	-	-	98,610
Other grant income	-	-	-	-	700	-	700	-	-	700
Total income	40,207	10,528	117,690	26,689	8,603	39,844	243,561	(42,946)	-	200,615
Franchises and operators	-	24,508	97,188	80,961	-	-	202,657	-	-	202,657
Support services	6,638	1,920	8,076	1,500	1,616	-	19,750	-	-	19,750
Depreciation and impairment	-	-	-	-	-	-	-	8,226	-	8,226
Pension costs	-	-	-	-	-	-	-	-	3,718	3,718
Other expenses	32,865	2,997	12,092	-	8,267	56,870	113,091	(58,291)	1,391	56,191
Total expenditure	39,503	29,425	117,356	82,461	9,883	56,870	335,498	(50,065)	5,109	290,542
Surplus/(Deficit) - cost of services	704	(18,897)	334	(55,772)	(1,280)	(17,026)	(91,937)	7,119	(5,109)	(89,927)

(b) Analysis of 2013 principal directorates

Group 2013	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	37,709	9,111	19,174	26,528	7,720	37,197	137,439	(39,356)	-	98,083
Government grant income	-	-	89,202	-	-	-	89,202	-	-	89,202
Other grant income	-	-	-	-	700	-	700	-	-	700
Total income	37,709	9,111	108,376	26,528	8,420	37,197	227,341	(39,356)	-	187,985
Franchises and operators	-	24,683	87,837	77,695	-	-	190,215	-	-	190,215
Support services	7,187	3,435	9,898	4,133	1,077	-	25,730	-	-	25,730
Depreciation and impairment	-	-	-	-	-	-	-	12,055	-	12,055
Pension costs	-	-	-	-	-	-	-	-	3,074	3,074
Other expenses	29,838	-	11,996	-	10,828	51,421	104,083	(58,920)	200	45,363
Total expenditure	37,025	28,118	109,731	81,828	11,905	51,421	320,028	(46,865)	3,274	276,437
Surplus/(Deficit) - cost of services	684	(19,007)	(1,355)	(55,300)	(3,485)	(14,224)	(92,687)	7,509	(3,274)	(88,452)

6. Mersey Tunnels

The Mersey Tunnels Act 2004 permits any operating surplus to be utilised by the Authority to achieve public transport policies in its local transport plan. In 2013/14, £10.2m (2012/13 £6.4m) was transferred into the Authority's General Fund and a Tunnels Reserve and Renewals Fund balance of £5.8m remained as at 31 March 2014 (31 March 2013 £7.3m).

Prior to the Tunnel operations becoming self-financing, the Tunnels deficit was funded by the Authority Levy. Over several years levy funding reached £28m. Following consultation, the Authority approved an annual contribution for 21 years of £3.6m from the surplus towards the levy.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

7. Surplus (deficit) on the Provision of Services

The surplus (deficit) for the year has been stated after the following have been charged/(credited):

	Group		Authority	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Credits:				
Levy income	127,364	127,364	127,364	127,364
Grant income - Revenue:				
Rail services – Special Rail Grant	98,610	89,209	98,610	89,209
EU Revenue Grant	-	262	-	262
	98,610	89,471	98,610	89,471
Capital Grants and Contributions income				
Dept for Transport - LTP and Congestion Grant	6,581	6,483	6,581	6,483
Dept for Transport - Clean Bus Technology	819	-	819	-
Dept for Transport - Better Bus & Area Grant	953	4,184	953	4,184
ERDF - Objective 1 grants	4,282	2,802	4,282	2,802
Dept for Transport - LSTF Grant	87	100	87	100
Partner Grant	33	37	33	37
Other grants	-	148	-	148
Capital Contributions	801	60	801	60
	13,556	13,814	13,556	13,814
Charges				
Depreciation of property, plant and equipment (including impairment)	8,643	11,055	3,497	3,526
Operating leases - minimum lease payments	12,139	12,193	-	-
Auditors' remuneration * see Note 8	75	65	35	65
Pension costs	8,443	5,233	1,201	660
Publicity costs	7	7	-	-

* This is the net position after accruals, and includes audit fees for the Executive's subsidiary companies.

Levy income arises from levies on the Council Tax for five Boroughs in Merseyside.

The Special Railway Grant is received from the Department of Transport to ensure the costs of Rail privatisation do not fall upon the Council tax payer

The Local Government Act 1986 Section 5(1) requires the Authority to maintain a separate publicity account. A more detailed account is available on request.

8. Auditor's Remuneration

Audit fees for the audit of the Authority's accounts by KPMG are estimated to be £35k, which includes grant certification work (2012/13: £65k)

	Authority	
	2014 £000	2013 £000
Audit fees in respect of:-		
Fees payable for external audit services carried out by the appointed auditor	47	62
Grant certification work	0	3

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

9. Staff costs and headcount

	Group		Authority	
	2014	2013	2013	2012
The number of persons employed by the Authority (expressed as whole time equivalents) at the year end was:	No.	No.	No.	No.
Operations	512	517	112	112
Catering/Retail	44	44	0	0
Management and Admin	280	297	4	5
Total	836	858	116	117
	£000's	£000's	£000's	£000's
The aggregate payroll cost for employees during the year was:-				
Salaries and Wages	22,099	22,313	3,989	4,039
National Insurance	1,670	1,774	326	329
Superannuation	2,347	2,420	444	454
	26,116	26,507	4,759	4,822

The number of Authority's employees, other than the Directors listed below, receiving more than £50,000 remuneration for the year (excluding pension contributions) were as follows:

	Group		Authority	
	2014	2013	2014	2013
£50,000 to £54,999	12	9	3	1
£55,000 to £59,999	2	7	-	-
£60,000 to £64,999	2	4	-	-
£65,000 to £69,999	0	1	-	-
£70,000 to £74,999	0	2	-	-
£75,000 to £79,999	1	2	-	-
£80,000 to £84,999	1	1	-	-
£90,000 to £94,999	0	-	-	-
£105,000 to £109,999	1	1	-	-

Remuneration paid to the Authority's senior employees is as follows:

Post Title	Year	Salary £	Allowances £	Pension Contributions £	Total Remuneration £
Chief Executive/Director General	2014	127,309	1,717	15,929	144,955
	2013	77,367	61,132	12,696	151,195
Director of Resources	2014	92,154	-	11,519	103,673
	2013	-	-	-	0
Director of Integrated Transport (& Deputy Chief Executive)	2014	126,462	1,954	15,885	144,301
	2013	77,367	35,849	10,524	123,740
Director of Corporate Development	2014	104,188	628	13,102	117,918
	2013	99,185	9,100	13,536	121,821
Director of Customer Services	2014	0	0	0	0
	2013	103,156	14,342	14,529	132,027

The previous CX/DG, and the Director of Customer services resigned their posts 31 December 2012. The current CX/DG was appointed 27 May 2013. The interim period from January 2013 until 26 May

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

9. Staff costs and headcount (continued)

2013 saw the Director of Integrated Transport fill this role on a temporary basis. This post holder was subsequently confirmed as the Deputy CX/DG. A restructuring of the management team during 2013 saw the deletion of the Director of Customer services posts, with these duties being allocated to the remaining directorates.

The current Director of Resources was appointed 1 April 2013. For 2013 this post was filled by the previous CX/DG until their resignation, and then by an officer on secondment from St Helens until 31 March 2013.

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the tables below:

MITA Exit package cost band £	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£000	£000
0 - 20,000	0	0	0	0	0	0	0	0
20,001 - 40,000	0	0	2	0	0	0	0	0
40,001 - 60,000	0	0	0	1	0	1	0	55
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	0	0	2	1	0	1	0	55

Group Exit package cost band £	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£000	£000
0 - 20,000	0	0	51	14	2	14	19	147
20,001 - 40,000	0	0	4	13	2	13	57	355
40,001 - 60,000	0	0	2	11	1	11	45	546
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	0	0	57	38	5	38	121	1048

10. Members' allowances

Total expenses and allowances paid to Members were £170k (2012/13 - £187k). This includes travelling and subsistence costs. Full details of allowances paid, are reported on the Authority's website.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

11. Rail Concession income and expenditure

Merseyrail Electrics 2002 Ltd (a Serco and Abellio joint venture) has a franchise agreement with the group, through MPTE, to operate rail services (Merseyrail Electrics). The agreement provides that any profits from the operation of these services above a predefined threshold be shared by Merseyrail Electrics 2002 Ltd and MPTE.

Group Highways and Transport services income includes £5,251k (2012/13 £5,457k) representing income accrued under the agreement. Of this, £1,834k has been spent in the year (2012/13 £2,207k) to secure improvements to passenger services and is charged to Highways and Transport Services Expenditure.

The total balance remaining as at 31 March 2014 is £11.5m (31/03/13 £8.1m). This has been included in Group short term debtors and Group useable reserves at the balance sheet date.

12. Finance Costs – Interest Payable

	Group		Authority	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
On loans	13,999	14,740	13,778	14,732
Interest cost on pension scheme	12,345	12,861	2,334	2,425
Amortisation of premium on early repayment of loans	17	13	17	13
Other	-	-	-	-
	26,361	27,614	16,129	17,170

13. Finance Income

Surplus monies from the Executive were lent to the Authority; interest free, to permit bulk placements on to the money markets. Finance income comprises:

	Group		Authority	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
From short-term loans and deposits	1,141	1,412	1,141	1,412
On pension scheme assets	8,945	-	1,705	-
Other interest receivable	633	401	394	401
	10,719	1,813	3,240	1,813

14. Tax on Income

Corporation tax chargeable against interest received and rental income in the year at a rate of 23% for 2013/14 and 24% for 2012/13.

Taxation of £48k (2012/13 £8k) in the consolidated income and expenditure statement represent taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable, together with corporation tax payments for the PTE group.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

15. Property, Plant and Equipment

<i>Group</i>	Freehold Property	Leasehold Property	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1 April 2012	4,377	6,786	37,121	372,025	-	893	599	421,801
Additions	1,152	-	4,617	7,010	-	-	-	12,779
Transfers from Capital Projects	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Assets reclassified	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	19	19
At 31 March 2013	5,529	6,786	41,738	379,035	-	893	618	434,599
Additions	1,164	8	4,153	7,397	-	-	-	12,722
Reclassifications/Disposals	-	-	(13)	247	-	-	-	234
Donations	-	-	-	-	-	-	-	-
Disposals	-	-	(12)	-	-	-	-	(12)
Assets reclassified	-	-	-	-	-	-	-	-
At 31 March 2014	6,693	6,794	45,866	386,679	-	893	618	447,543
Depreciation and impairment:								
At 1 April 2012	571	172	8,087	22,627	-	631	-	32,088
Depreciation	115	433	3,250	4,855	-	-	-	8,653
Reclassifications	-	-	-	631	-	(631)	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	1,773	604	-	-	25	2,402
Disposals	-	-	-	-	-	-	-	-
At 31 March 2013	686	605	13,110	28,717	-	-	25	43,143
Depreciation	143	236	3,248	5,016	-	-	-	8,643
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2014	829	841	16,358	33,733	-	-	25	51,786
Net Book Value:								
At 1 April 2012	3,806	6,614	29,034	349,398	-	262	599	389,713
At 31 March 2013	4,843	6,181	28,628	350,318	-	893	593	391,456
At 31 March 2014	5,864	5,953	29,508	352,946	-	893	593	395,757

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

15 Property, Plant and Equipment (continued)

MITA	Freehold Property £000	Leasehold Property £000	Vehicles, Plant, Furniture and Equipment £000	Operational Infrastructure £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or valuation:								
At 1 April 2012	4,041	5,930	1,621	286,209	-	-	74	297,875
Additions	1,152	-	413	5,944	-	-	-	7,509
Assets reclassified to/from assets held for sale	-	-	-	-	-	-	-	-
At 31 March 2013	5,193	5,930	2,034	292,153	-	-	74	305,384
Additions	1,164	-	450	7,005	-	-	-	8,619
Transfers from Capital Projects	-	-	-	-	-	-	-	-
Disposals	-	-	(11)	-	-	-	-	(11)
At 31 March 2014	6,357	5,930	2,473	299,158	-	-	74	313,992
Depreciation and impairment:								
At 1 April 2012	235	-	478	16,940	-	-	-	17,653
Depreciation	115	394	159	2,809	-	-	-	3,477
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	49	-	-	-	-	49
At 31 March 2013	350	394	686	19,749	-	-	-	21,179
Depreciation	143	197	157	3,000	-	-	-	3,497
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2014	493	591	843	22,749	-	-	-	24,676
Net Book Value:								
At 1 April 2012	3,806	5,930	1,143	269,269	-	-	74	280,222
At 31 March 2013	4,843	5,536	1,348	272,404	-	-	74	284,205
At 31 March 2014	5,864	5,339	1,630	276,409	-	-	74	289,316

The Directors have reviewed Property Plant and Equipment for any indicators of impairment, and are not aware of any material change in the value of these assets.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

15 Property, Plant and Equipment (continued)

Valuation of property, plant and equipment

The Authority carries out regular revaluations of all Property, Plant and Equipment required to be measured at fair value every five years. These revaluations exclude infrastructure assets that are required to be carried at depreciated historical cost. Valuations of land and buildings were carried out by the independent valuers from the District Valuers Office in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

Ian Carruthers BSc, MRICS, of the District Valuers Service, carried out the last valuation as at 31 March 2014. This work was performed as part of the Executives preparation for the introduction of the accounting implications of the Local Authority Accounting Panel (LAAP) 100. Consequently, values were not used in the final accounts.

The majority of properties regarded by the Authority as operational were valued on the basis of depreciated replacement cost as market value could not be assessed. Plant and machinery is included in the valuation of the buildings.

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2014 is set out in note 30.

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2014 was £362k and there was no upward movement during the year. The consolidated position at 31 March 2014 is £3,853k (2012/13 £4,243k). There were no upward movements within the year.

Infrastructure assets are held at depreciated historical cost.

Depreciation is calculated, from the month that an asset becomes operational, on all property, plant and equipment with a finite useful life using the reducing balance method over the following asset lives, which were provided by the District Valuers as part of his asset valuation exercise:-

	Years
Infrastructure Assets	5-120
Freehold Property	30-40
Leasehold property	23
Vehicles, Plant, Furniture & Equipment	4-20

16. Heritage Assets

	Authority Statues £000's	Subsidiaries Statues £000's	Group Statues £000's
At 1 April 2012	450	385	835
Additions	-	-	-
At 31 March 2013	450	385	835
Additions	-	-	-
At 31 March 2014	450	385	835

The Authority's assets comprise two statues on display at the Liverpool entrance to the Queensway tunnel and two sculptures on display at the entrance to Georges' Dock building.

The Beatles Story also owns a statue in commemoration of John Lennon which is on display at the Liverpool Echo Arena entrance. The asset was re valued by a suitably qualified practitioner at 31 March 2012 and was found to have increased in value, and this increase has been taken to the Group Revaluation reserve. No further valuation has been undertaken during 2013/14.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

17. Capital Expenditure and MRP Borrowing

Capital expenditure and MRP borrowing amounting to £21.5m and £0m respectively were financed as follows:

Authority	2013/14			2012/13
	Capital Outlay £000	MRP Borrowing £000	Total £000	Total £000
Expenditure				
Property Plant & Equipment	7,119	-	7,119	7,509
Leasehold Improvements	-	-	-	-
REFCUS - Capital Grants made to the MPTE for Infrastructure etc	12,910	-	12,910	8,900
Reborrowing Principal repaid in excess of MRP	-	1,119	1,119	554
	20,029	1,119	21,148	16,963
Financing				
(Under)/overcover financed brought forward at 1 April	-	(4,529)	(4,529)	(3,975)
Capital Grants and contributions	12,910	-	12,910	8,900
Capital Receipts Applied	23	-	23	9
Tunnels Repairs and Renewals Fund	7,096	-	7,096	7,500
Leasehold Incentive arrangement*	-	-	-	-
(Over)/under financed carried forward at 31 March	-	5,648	5,648	4,529
	20,029	1,119	21,148	16,963

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents charges to the Comprehensive Income and Expenditure Statement for capital grants to MPTE which are used by it to fund its capital expenditure.

18. Analysis of capital grants/contributions received during the year

	Group		MITA	
	2014 £000	2013 £000	2014 £000	2013 £000
Capital grants and contributions	13,556	13,814	13,556	13,814
Less: amounts not yet applied	(646)	(4,914)	(646)	(4,914)
	12,910	8,900	12,910	8,900
Other Capital receipts				
Disposal of assets	23	1,809	23	9
Less: amounts not yet applied	-	(1,800)	-	-
	23	9	23	9
Total	12,933	8,909	12,933	8,909

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

19. Intangible assets

The Authority Group has intangible assets as a result of goodwill arising on the purchase of Gemtex Ltd and The Beatles Story by its subsidiary company Mersey Ferries Ltd.

	Goodwill on Consolidation	Licenses	2013/14 Total	Goodwill on Consolidation	Licenses	2012/13 Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
Opening balance:						
Gross carrying amount	2,803	20	2,823	2,803	20	2,823
Accumulated amortisation	(1,108)	(20)	(1,128)	(1,108)	(17)	(1,125)
Opening net carrying amount	1,695	-	1,695	1,695	3	1,698
Amortisation and impairment:						
Amortisation	-	-	-	-	(3)	(3)
Net carrying amount at end of year	1,695	-	1,695	1,695	-	1,695
			-			-
Comprising:						
Gross carrying amount	2,803	20	2,823	2,803	20	2,823
Accumulated amortisation	(1,108)	(20)	(1,128)	(1,108)	(20)	(1,128)
	1,695	-	1,695	1,695	-	1,695

The Beatles Story is amortising licences over the life of the licences.

Goodwill of £2.8m relates to the acquisition by Mersey Ferries Limited of The Beatles Story. For impairment testing purposes, this goodwill has been allocated to the wholly owned subsidiary, which forms part of the Mersey Ferries Group. This represents the lowest level within the Authority at which goodwill is monitored for internal management purposes.

The Authority has performed its annual impairment test as at 31 March 2014. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on financial budgets approved by the board for the next 5 years. The discount rate applied to the cash flows is 6.0% as per Treasury Green Book recommendation (2013: 6%). The growth rate used to extrapolate the cash flows beyond the 2015/16 year period is 3% for expenditure and 1% for income growth. (2012/13 3% for both income and expenditure), which is consistent with expected growth rates over previous years in this business area. Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2013/14.

20. Investments

Name	Immediate parent	Group holding	Nature of the business	% equity interest 2014	% equity interest 2013
Mersey Ferries Ltd	Merseyside Passenger Transport Executive	Company limited by guarantee	Passenger Transport	N/A	N/A
Merseyside Passenger Transport Service Ltd	Merseyside Passenger Transport Executive	25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares	Leasing	100	100
Real Time Information Group Limited	Merseyside Passenger Transport Executive	1 £1 Ord Shares	Real Time Information systems	100	100
Global Smart Media Ltd	Merseyside Passenger Transport Executive	17,648 - 10p Ord Shares	Smartcard	87.9	87.9
Accrington Technologies Ltd	Merseyside Passenger Transport Executive	500 £1 Ord Shares	Smartcard	50.1	50.1
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100	100

All companies are incorporated in the United Kingdom.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

20. Investments (continued)

Dormant companies

The Authority has no directly owned subsidiaries. However, the PTE does - Merseytravel Ltd is a wholly owned subsidiary that was dormant in the year ended 31 March 2014. Merseytravel Facilities Management Ltd and Liverpool South Parkway Ltd were both dissolved during the year ended 31 March 2014.

Spaceport Ltd and U534 Ltd ceased trading on 31/3/13. They were formally dissolved on 5/11/13 and their operations assets and liabilities transferred into Mersey Ferries Ltd

Livesmart ceased trading in January 2013. The company was dissolved on 10/9/13.

Group:

The Group Investment is the estimated cost, less any impairment, of the Executive's investment in £256,068 Ordinary £1 shares Smart Transactions Group Ltd (11.52% of its equity), through its subsidiary GSM. As Smart Transactions Group has incurred losses in the last two years for which accounts are available, the investment is considered impaired and is carried at £Nil in the financial statements.

Group	2014 £000s	2013 £000s	2012 £000s
Equity investment held at cost	0	0	1,294

21. Short Term Investments

Amounts represent investments with UK banking institutions for periods between 91 and 364 days. Investments of 90 days or less are shown as Cash and Cash Equivalents, please refer to note 25.

22. Assets held for sale

	Group		Authority	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Balance outstanding at the start of the year	-	1,800	-	-
Assets newly classified as held for sale:				
Former MPTE Headquarters building	-	-	-	-
Assets sold	-	(1,800)	-	-
Balance outstanding at the year end	-	-	-	-

The Executive's former headquarters building at 24 Hatton Garden was reclassified as an asset held for sale in the year ended 31 March 2012. The sale of the building during 2012/13 generated a receipt of £1,800k, which was reduced by commission/insurance charges to £1,779k.

Profit on disposal of property, plant and equipment

The reported gain or loss on disposal is calculated as the net sales proceeds less the net carrying value of the assets comprising both the carrying value of the assets sold and any unamortised grant outstanding. For 2013/14 this is nil. For 2012/13, this was a £21k loss relating to the sale of Hatton Garden.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

23. Inventories

Reconciliation	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance outstanding at the start of the year	1,072	972	615	408
Purchases	} (34)	} 100	} 7	} 207
Recognised as an expense in the year				
Written off in the year				
Balance outstanding at the year end	1,038	1,072	622	615

Analysis	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
General stores and consumables	544	453	413	409
Retail stock	285	404	-	-
Fast Tags	193	191	193	191
Fuel	16	15	16	15
Uniforms	-	9	-	-
Total	1,038	1,072	622	615

24. Short and long term debtors

a) Amounts falling due within one year:

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Central Govt bodies *	2,319	7,134	110	4,793
Other Local Authorities	496	301	26	-
NHS bodies	31	83	-	-
Other bodies	22,078	17,180	4,989	4,701
Public Corporations and trading funds	49	-	-	-
Total current trade and other receivables	24,973	24,698	5,125	9,494

* Under a group registration scheme, VAT recoverable by the Executive of £1,999k (2012/13 £2,070k) has been consolidated and is included in Central Govt. bodies for the Group.

Trade receivables are non-interest bearing and are generally on terms of 30 days or less. They are shown net of a provision for impairment. For terms and conditions pertaining to related parties, refer to note 33. At 31 March 2014, Group trade receivables had a nominal value of £1,211k (2013: £1,897k). Movements in the provision for impairment of receivables were as follows:

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

24. Short and long term debtors (continued)

Bad debt provision	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Opening provision	52	94	1	1
Charge for the year	258	10	-	2
Amounts written off	-	(52)	-	(2)
Unused amounts reversed	-	-	-	-
Closing provision	310	52	1	1

As at 31 March 2014, the aged analysis of trade receivables was as follows:

	Total £000	Neither overdue nor impaired £000	Overdue but not impaired			
			29-50 days £000	51-90 days £000	91-185 days £000	>186 days £000
Group						
31-Mar-14	1,036	773	81	88	94	0
31-Mar-13	1,845	1193	155	259	80	158
MITA						
31-Mar-14	7	4	-	1	1	1
31-Mar-13	15	9	-	-	5	1

b) Amounts falling due after more than one year:

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Other receivables	798	818	3,657	3,785
Total	798	818	3,657	3,785

The Authority has a long term loan to the Executive which was used to fund the purchase of the Beatles Story. It is repayable in annual instalments and will expire in 2032/33. Principal repayments in 2013/14 were £122k (2012/13 £117k). It is extinguished upon consolidation. The other receivables are assessed as recoverable and no impairment is required.

25. Cash and cash equivalents

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Cash and bank current account	12,140	27,916	(23,769)	805
Short term deposits with banks and building societies	24,030	30,325	24,030	30,325
Total	36,170	58,241	261	31,130

The Authority holds the Executive's cash balances of £35,909k (2012/13 £43,500k) for investment purposes. The Executive deposits its surplus cash funds with the Authority for periods between one day and three months depending on the immediate cash requirements of the respective entities.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

26. Short Term Creditors

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Creditors due within 1 year:				
Central Government Bodies	13,497	34,197	12,095	30,625
Other Local Authorities	3,633	2,016	2,111	163
NHS Bodies	-	60	-	-
Public Corporations	85	-	-	-
Other Entities and Individuals	27,423	25,812	31,128	36,615
	44,638	62,085	45,334	67,403

£21,700k (2013 £29,400k) held by the Authority and invested on behalf of the MPTE is included in "Other Entities and Individuals" for the Authority.

PWLB debt charges of £11.4m (2013 £10.3m) and Local Sustainable Transport Grant funding for Minor and Major elements of £11.9m (2012/13 £20.2m) received in advance is included in Central Government Bodies.

Trade payables are generally on terms of 30 days or less. The group policy is to pay within 30 days. Actual performance is as follows:

	Authority	
	2013/14	2012/13
Total number of invoices paid	17,015	18,154
Invoices paid within 30 days	16,455	17,453
Actual proportion paid within 30 days	96.7%	96.1%
Target	100%	100%

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

27. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year may be analysed as follows:

Provisions	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Short term	600	467	39	228
Long term	4,185	3,313	1,993	605
	4,785	3,780	2,032	833

Group	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2013	3,780	200	1,029	1,309	299	938	5
Arising during the year	1,645	-	384	21	1,240	-	-
Utilised during the year	(640)	-	(90)	(526)	-	(19)	(5)
At 31 March 2014	4,785	200	1,323	804	1,539	919	-

MITA	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2013	833	200	86	248	299	-	-
Arising during the year	1,261	-	-	21	1,240	-	-
Utilised during the year	(62)	-	(25)	(37)	-	-	-
At 31 March 2014	2,032	200	61	232	1,539	-	-

Significant provisions for both ITA and Group relate to:

- Government initiatives relates to the purchase of “carbon credits”;
- Contractual obligations relate to the Merseytram project and insurance claims;
- Employment related, are principally annual leave entitlements outstanding at the year end, pension obligations and job evaluation/harmonisation provisions;
- Capital expenditure relates to possible claw back of ERDF grant;
- Contracted maintenance relates to works previously thought to be rechargeable to a third party, and dredging costs;
- Taxation issues relate to a tax liability with The Beatles Story.

New Group provisions established in the year have been raised as follows:

- Provision for dilapidation costs of a former leased office building

During the year the employee related provision was utilised to fund back pay claims, and resulting increases in pension payments re retiring staff.

28. Contingent Assets and Liabilities

The Authority has no contingent assets or liabilities. For the ITA group, commercial negotiations are in process relating to disputed costs. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these negotiations.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

29. Financial Instruments

Set out below is a comparison by class of the carrying amounts in the Statement of Financial Position of the Authority's financial assets and financial liabilities:

MITA	Carrying Amount		Fair Value	
	2014 £000	2013 £000	2014 £000	2013 £000
Loans & Receivables				
Financial Assets:				
Long term loans and receivables	3,663	3,785	3,663	3,785
Current loans and receivables	122	122	122	122
Current financial assets carried at contract amounts	4,705	9,156	4,705	9,156
Long-term debtor	-	-	-	-
Short term investments	118,774	90,225	118,774	90,225
Cash & cash equivalents	261	31,130	261	31,130
Financial Liabilities:				
Current trade payables	19,128	33,981	19,128	33,981
Amounts deposited from MPTE	21,700	29,400	21,700	29,400
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	11,099	11,379	11,099	11,379
Fixed rate borrowings - due after one year	224,299	235,398	296,348	336,262

Group	Carrying Amount		Fair Value	
	2014 £000	2013 £000	2014 £000	2013 £000
Financial Assets:				
Equity investments held at cost	-	-	-	-
Loans & Receivables				
Current loans and receivables	34	34	34	34
Current financial assets carried at contract amounts	22,963	22,693	22,963	22,693
Long-term debtor	799	818	799	818
Short term investments	118,774	90,225	118,774	90,225
Cash & cash equivalents	36,170	58,241	36,170	58,241
Financial Liabilities:				
Current trade payables	39,870	57,777	39,870	57,777
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	11,099	11,379	11,099	11,379
Fixed rate borrowings - due after one year	224,299	235,398	296,348	336,262

Analysis of borrowing repayable

Authority	Range of Interest Rates Payable	Total Outstanding at 31 March	
		2014 £000	2013 £000
Source of Loan			
Public Works Loan Board	Variable Rates	-	-
Public Works Loan Board	4.3% to 7.6% average rates	207,567	215,969
Department of Transport	11.8%	369	1,058
Wirral MBC	6.8%	27,462	29,750
		235,398	246,777
An analysis of loans by maturity is:			
Maturing in -			
- within one year		11,099	11,379
- 1 to 2 years		10,773	11,099
- 2 to 5 years		32,296	32,421
- 5 to 10 years		50,804	52,258
- More than 10 years		130,426	139,620
		235,398	246,777

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

29. Financial Instruments (continued)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Statement of Financial Position at amortised cost.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date; therefore accrued interest is included in the fair value calculation.

For loans and borrowings, fair value is determined by calculating the Net Present Value of future cash flows, thus estimating the value of future payments in today's terms. The discount rate used should be equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity

The discount rates used for the evaluation were obtained by MITA from the Public Works Loan Board and the fair value of borrowing through the PWLB has been calculated by reference to the premature repayment set of rates in force on 31 March 2013 and 31 March 2014 respectively. For both years, the respective interest rates have been used as a discounting factor applied to future cash flows of the undischarged balance of the loans at 31 March 2013 and 2014. A similar calculation has been done for the fair value of the Department for Transport Loans and Wirral MBC loans using the national loans rates at 31 March 2013 and 2014 as discount factors.

Other assumptions used, which do not have a material effect on the fair value evaluation are:

- Interest is calculated using a 365 day basis
- Interest is paid on the maturity date
- No adjustment has been made to the interest value and date, where a relevant date occurs on a non-working day
- Estimated ranges of interest rates at 31 March 2014 of 4.3% to 11.8%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

No loans were taken out during 2013/14 and there are no loans are secured against the Authority's assets. The fair values of the following classes of financial instruments approximate their carrying amounts due to the short term maturities of these instruments:

- Trade receivables
- Trade payables and accruals for expenditure recognised
- Cash and short term deposits
- Receivables from, and deposits with MPTE
- Amounts due from group undertakings

The amounts recognised in the Income and Expenditure Statement and Statement of Other Comprehensive Income can be summarised as follows:

Group & Authority	2014 £000				2013 £000			
	Financial Liabilities measured at amortised cost		Financial Assets: Loans and Receivables		Financial Liabilities measured at amortised cost		Financial Assets: Loans and Receivables	
	Authority	Group	Authority	Group	Authority	Group	Authority	Group
Interest expense	(13,808)	(13,808)	-	-	-	-	-	-
Impairment losses (bad debts)	-	-	-	-	-	-	(1)	(51)
Total expense in Surplus of Deficit on the Provision of Services	(13,808)	(13,808)	-	-	-	-	(1)	(51)
Interest Income	-	-	1,535	1,583	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	-	1,535	1,583	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	(13,808)	(13,808)	1,535	1,583	-	-	(1)	(51)

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

29. Financial Instruments (continued)

Risk Factors

The Authority's activities expose it to a variety of financial risks. The key risks as are:-

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Resources Directorate, under policies approved by the Authority in its Treasury Management Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Treasury Management Strategy. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. The Authority has a policy of spreading its surplus balances over several institutions.

The following analysis summarises the Authority's potential maximum exposure to credit risk on the other financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2014	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability as at 31 March 2014	Estimated maximum exposure to default and uncollectability as at 31 March 2013
Group					
Trade receivables	1,211	25	901	901	1,845
External loans receivable	128	-	128	128	148
Group loans receivable	-	-	-	-	-
				1,029	1,993
Authority					
Trade receivables	8	6	7	7	15
External loans receivable	-	-	-	-	-
Group loans receivable	3,663	-	3,663	3,663	3,785
				3,670	3,800

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

29. Financial Instruments (continued)

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that the Authority will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates, however this risk is several decades in the future and will be significantly covered by Minimum Revenue Provision (MRP) balances. Details of the maturity of debt are given earlier in this note.

Market risk

Interest rate risk: The Authority is exposed to marginal risk in terms of its exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES or MIRS. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES or MIRS. Movements in the fair value of fixed rate investments will be reflected in the MIRS.

Price risk: The Authority does not generally invest in equity shares but the Group Accounts do reflect shareholdings in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Group is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk: The Authority has no financial assets or liabilities, denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

In all cases, the carrying value of financial instruments is a reasonable approximation to fair value.

Hedging Instruments

The Authority holds no financial instruments that could be classified as hedging instruments.

30. Reserves

(a) **Useable Reserves**

	Group		Authority	
	2014 £000s	2013 £000s	2014 £000s	2013 £000s
General Fund	3,496	2,704	1,142	1,142
Tunnels Reserve	5,756	7,257	5,756	7,257
Earmarked reserves - Operational	89,362	67,837	53,807	36,367
Earmarked reserves - Development	32,228	28,763	18,101	18,695
Useable Capital Receipts	2,093	2,093	-	-
Total Usable Reserves	132,935	108,654	78,806	63,461

Operational reserves are service related and have been created to support revenue spending. Development reserves are primarily "capital" related ones and exist to support the ITA's capital programme. These latter reserves are under severe pressure due to the Government's decision to reduce the ITA's LTP grant during LTP3.

It is the Authority's policy that the Tunnels Reserve and Renewals Fund shall not be less than £2.5m. In the event that funds fall below the £2.5m threshold, budgetary provision in the following year will be made to restore the level to £2.5m. Budgets for 2013/14 assumed £1.5m would be transferred from the fund to part finance the Tunnels capital programme. This left a balance of £5.8m available as at 31 March 2014 for future years.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

30. Reserves (continued)

(b) Unuseable Reserves

	Group		Authority	
	2014	2013	2014	2013
	£000s	£000s	£000s	£000s
Pension Reserve	(78,738)	(83,968)	(11,537)	(15,324)
Revaluation Reserve	3,840	4,243	348	362
Capital Adjustment Account	47,514	31,931	47,514	31,931
Financial Instruments adj account	22	36	22	36
Deferred Capital Grants	101,984	102,260	-	-
Total Unusable Reserves	74,622	54,502	36,347	17,005

(c) Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post -employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group			Authority		
		Restated			Restated	
	2014	2013	2013	2014	2013	2013
	£000	£000	£000	£000	£000	£000
Balance at 1 April	(83,968)	(70,315)	(70,315)	(15,324)	(12,242)	(12,242)
Actuarial (gains)/losses	-	-	(14,647)	-	-	(3,106)
Remeasurements assets and liabilities	7,606	(12,855)	-	4,284	(2,767)	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(8,443)	(7,025)	(5,233)	(1,201)	(999)	(660)
Employers Pension Contributions and direct payments to pensioners in the year	6,067	6,227	6,227	704	684	684
Balance at 31 March	(78,738)	(83,968)	(83,968)	(11,537)	(15,324)	(15,324)

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

30. Reserves (continued)

(d) Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised.

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 April	4,243	5,779	362	395
Upward revaluation of assets	-	-	-	-
Downward revaluation and impairment losses not charged to the surplus/deficit on the provision of services	(403)	(1,503)	(14)	-
Difference between fair value depreciation and historical cost depreciation	-	(33)	-	(33)
Balance at 31 March	3,840	4,243	348	362

(e) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains gains on donated assets that have yet to be consumed by the Authority.

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 April	31,931	16,793	31,931	16,793
Reversal of items relating to capital expenditure debited or credited to the Income and Expenditure Statement:	(3,300)	(3,123)	(3,300)	(3,123)
Revenue funded from capital under statute	(12,910)	(8,900)	(12,910)	(8,900)
Amounts written out to the Revaluation Reserve	14	33	14	33
Net written out amount of the cost of non-current assets consumed in the year	15,735	4,803	15,735	4,803
Capital financing applied in the year:				
Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	12,910	8,900	12,910	8,900
Statutory provision for the financing of capital investment charges against the General Fund	10,260	10,728	10,260	10,728
Capital expenditure charged against the General Fund	8,609	7,500	8,609	7,500
Balance at 31 March	47,514	31,931	47,514	31,931

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

30. Reserves (continued)

(f) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for trading losses or benefiting from gains per statutory provisions.

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Balance at 1 April	36	49	36	49
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(14)	(13)	(14)	(13)
Balance at 31 March	22	36	22	36

(g) Deferred Capital Grants

	Deferred Capital Grants £000's
Balance at 1 April 2013	102,260
Revaluation reserve depreciation charge	390
Grants received MITA	-
Grants received European Union	-
Grants Applied:	
Property plant and equipment	4,036
Deferred charges	234
Re EU schemes	-
Transfer from Capital reserves	-
Use of capital receipts	-
Released to Revenue:-	-
Disposal of PPE	-
Revaluation reserve adjustment	-
Depreciation/Impairment charge	(4,936)
Balance at 31 March 2014	101,984

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

31. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. The Merseyside Pension Fund administers, on the Authority's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of the Authority's workforce. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last of which was carried out as at 31 March 2013 by Mercers, a firm of Actuaries specializing in Pensions. Under Pension Fund regulations contribution rates are set to meet the estimated overall liabilities of the Fund.

The Authority paid an employer's contribution of £704k (2013 - £684k) to the Pension Fund, representing 13% (2013 - 13%) of pensionable pay. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the next review being effective from 1 April 2014. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

Transactions relating to retirement benefits

The cost of retirement benefits in the net cost of services is recognised when the cost is earned by an employee, rather than when the benefit is eventually paid as pension. However, the charge made against the levy is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the CIES and Pension Reserve during the year:-

(i) Income and expenditure statement

	Group			Authority		
	2014 £000s	Restated 2013 £000s	2013 £000s	2014 £000s	Restated 2013 £000s	2013 £000s
Income and Expenditure Statement:						
<i>Net cost of services:</i>						
Current service cost	4,529	3,652	3,563	491	407	397
Administration expenses	98	81	-	11	9	-
Settlements and Curtailments **	416	-	-	70	-	-
<i>Financing and Investment Income and Expenditure:</i>						
Net Interest cost	3,400	3,292	-	629	583	263
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	8,443	7,025	3,563	1,201	999	660
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
Actuarial (gains)/losses	-	28,808	14,647	-	5,841	3,106
Remeasurements -Liabilities Experience (gain)/loss	(4,435)	-	-	(2,718)	-	-
Remeasurements - (Gain)/Loss financial assumptions	(9,518)	-	-	(1,740)	-	-
Remeasurements - (Gain)/Loss on demographic assumptions	1,343	-	-	184	-	-
Remeasurements (assets)	5,004	(15,953)	-	(10)	(3,074)	-
<i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	(7,606)	12,855	14,647	(4,284)	2,767	3,106
Movement in Reserves Statement:						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	5,230	(13,653)	(13,653)	3,787	(3,082)	(3,082)
<i>Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement</i>	5,230	(13,653)	(13,653)	3,787	(3,082)	(3,082)
Summary of amounts charged to Reserves and Income and Expenditure Statement:						
Employer's contributions payable to the scheme	6,067	6,227	6,227	704	684	684
Retirement benefits payable to pensioners	13,418	13,248	13,248	2,385	2,660	2,660

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

** Effects of transfer of staff to the Executive for pension purposes.

31. Pension Costs (continued)

(ii) General Fund Balance

	Group			Authority		
	2014 £000s	Restated 2013	2013 £000s	2014 £000s	Restated 2013 £000s	2013 £000s
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions	6,067	6,227	6,227	704	684	684

(iii) Reconciliation of present value of the scheme's liabilities

	Group			Authority		
	2014 £000s	Restated 2013 £000s	2013 £000s	2014 £000s	Restated 2013 £000s	2013 £000s
Benefit obligations at 1 April	299,975	266,663	266,663	56,687	50,536	50,536
Current service cost	4,529	3,652	3,565	491	407	397
Interest on pension liabilities	12,345	12,774	12,861	2,334	2,415	2,425
Member contributions	1,287	1,327	1,326	149	148	148
Actuarial (gains)/losses	-	-	28,808	-	-	5,841
Remeasurements	(12,610)	28,807	-	(4,274)	5,841	-
Curtailments	416	-	-	70	-	-
Settlements	-	-	-	-	-	-
Benefits/transfers paid	(13,418)	(13,248)	(13,248)	(2,385)	(2,660)	(2,660)
Benefit obligations at 31 March	292,524	299,975	299,975	53,072	56,687	56,687

(iv) Reconciliation of the fair value of the scheme's assets

	Group			Authority		
	2014 £000s	Restated 2013 £000s	2013 £000s	2014 £000s	Restated 2013 £000s	2013 £000s
Fair value of plan assets at 1 April	216,007	196,348	196,348	41,363	38,294	38,294
Expected return on plan assets	-	-	11,193	-	-	2,162
Interest on plan assets	8,945	9,482	-	1,705	1,832	-
Actuarial (gains)/losses	-	-	14,161	-	-	2,735
Remeasurements	(5,004)	15,953	-	10	3,074	-
Administration expenses	(98)	(81)	-	(11)	(9)	-
Settlements	-	-	-	-	-	-
Employer contributions	6,067	6,227	6,227	704	684	684
Member contributions	1,287	1,326	1,326	149	148	148
Benefits/transfers paid	(13,418)	(13,248)	(13,248)	(2,385)	(2,660)	(2,660)
Fair value of plan assets at 31 March	213,786	216,007	216,007	41,535	41,363	41,363

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the date of the Statement of Financial Position. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets for the Authority in the year was £2.0m (2012/13 £4.9m), for the Group £10.5m (2012/13 £25.3m).

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

31. Pension Costs (continued)

(v) Scheme history

Authority					
	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
Present value of scheme liabilities	(70,570)	(64,891)	(50,536)	(56,687)	(53,072)
Fair value of scheme assets	52,930	54,660	38,294	41,363	41,535
Surplus/(deficit) in the scheme	(17,640)	(10,231)	(12,242)	(15,324)	(11,537)

Group					
	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
Present value of scheme liabilities	(213,244)	(276,191)	(266,663)	(299,975)	(292,524)
Fair value of scheme assets	154,435	200,402	196,348	216,007	213,786
Surplus/(deficit) in the scheme	(58,809)	(75,789)	(70,315)	(83,968)	(78,738)

Statutory arrangements for funding the above deficits mean that the financial position of the Authority remains healthy (i.e. the deficit on the Merseyside Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary).

(vi) Pension contributions for 2014/15

The total contributions expected to be made to the Scheme by the Authority in the year to 31 March 2015:

	£'000
Fixed Contribution	392
11.5% of Pensionable Pay (£2.2m)	253
Unfunded Pension Liabilities	33

	678
	=====

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

31. Pension Costs (continued)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis by Mercer Ltd, an independent firm of actuaries, using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. It is based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary were:-

(i) Expected rate of return on assets in the scheme:

	Group and Authority			
	2013/14		2012/13	
	Expected Rate of Return on Assets %	Split of Assets between Investment Categories %	Expected Rate of Return on Assets %	Split of Assets between Investment Categories %
Equity investments	7.0	56.9	7.0	60.6
Government bonds	3.4	13.7	2.8	15.7
Other bonds	4.3	2.6	3.9	3.6
Property	6.2	8.0	5.7	8.3
Cash/liquidity	0.5	2.7	0.5	2.3
Other	N/A	16.1	6.8	9.5
		100.0		100.0

(ii) Other assumptions

	Group		Authority	
	2013/14	2012/13	2013/14	2012/13
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men (years)	22.3	21.8	22.3	21.8
Women (years)	25.2	24.7	25.2	24.7
Longevity at 65 for future pensioners				
Men (years)	24.7	23.7	24.7	23.7
Women (years)	28	26.6	28.0	26.6
Rate of Inflation (CPI)	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	3.90%	3.90%	3.90%	3.90%
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme/liabilities	4.40%	4.20%	4.40%	4.20%
Take-up of option to convert annual pension	N/A	50%-max	N/A	50% - max
	N/A	50% 3/80	N/A	50% - 3/80

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

31. Pension Costs (continued)

History of gains and losses

Group	2009/10		2010/11		2011/12		2012/13		2013/14	
	£000	%	£000	%	£000	%	£000	%	£000	%
Analysis of Actuarial gains/losses over 5 years:										
Differences between the expected and actual return on assets	(41,406)	(21)	8,448	4	8,027	4	(14,161)	(7)	N/A	
Changes in demographic and financial assumptions used to estimate scheme liabilities	56,944	(21)	(14,910)	(6)	7,996	3	28,808	10	N/A	
Total	15,538		(6,462)		16,023		14,647		-	
Discount Rate		6%		7%		6%				

Authority	2009/10		2010/11		2011/12		2012/13		2013/14	
	£000	%	£000	%	£000	%	£000	%	£000	%
Analysis of Actuarial gains/losses over 5 years:										
Differences between the expected and actual return on assets	(10,869)	(21)	578	1	2,164	-6	2,735	7	N/A	
Changes in demographic and financial assumptions used to estimate scheme liabilities	15,802	(22)	(4,889)	(8)	2,219	4	(5,841)	10	N/A	
Total	4,933		(4,311)		4,383		(3,106)		-	
Discount Rate		7%		7%		9%		6%		

The actuary carried out average age of the membership investigations as part of the 2013 actuarial valuation. Assumptions made in these figures are derived from the 2013 valuation exercise.

Compensatory added year's benefits which are recharged to the Authority have been included in the liabilities for the purpose of IAS 19 calculations.

Pension Fund Sensitivity Analysis as at 31 March 2014:

Authority	Central	Sensitivity 1 +0.1% pa discount rate	Sensitivity 2 +0.1% inflation	Sensitivity 3 +0.01% pay growth	Sensitivity 4 1 yr increase life expectancy
	£000's	£000's	£000's	£000's	£000's
Disclosure item					
Liabilities	53,072	52,262	53,894	53,214	54,166
Assets	(41,535)	(41,535)	(41,535)	(41,535)	(41,535)
Deficit/(Surplus)	11,537	10,727	12,359	11,679	12,631
Projected service cost for next year	402	392	413	402	412
Projected net interest costs for next year	493	467	530	500	542

Group	Central	Sensitivity 1 +0.1% pa discount rate	Sensitivity 2 +0.1% inflation	Sensitivity 3 +0.01% pay growth	Sensitivity 4 1 yr increase life expectancy
	£000's	£000's	£000's	£000's	£000's
Disclosure item					
Liabilities	292,614	287,938	297,182	293,539	298,412
Assets	(213,786)	(213,786)	(213,786)	(213,786)	(213,786)
Deficit/(Surplus)	78,828	74,152	83,396	79,753	84,626
Projected service cost for next year	4,105	4,012	4,203	4,105	4,200
Projected net interest costs for next year	3,329	3,198	3,552	3,392	3,607

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

31. Pension Costs (continued)

Detailed Asset Breakdown as at 31st March 2014

Asset category	Authority	Quoted	31/3/2013	%	31/3/2014	%
	Sub-category					
			£000		£000	
Equities	UK Quoted	Y	10482	24	10980	26
	Global quoted	Y	13071	32	12647	30
Bonds	UK Government	Y	2102	5	1752	4
	UK Corporate	Y	1013	2	1096	3
	UK Index linked	Y	4569	11	3953	10
Property	UK Direct	N	2038	5	2028	5
	Property Managed - (UK quoted)	Y	239	1	256	1
	Property Managed - (UK unquoted)	N	636	2	657	2
Alternatives	Property Managed - (Global)	N	361	1	390	1
	Private equity -(UK quoted)	Y	36	0	30	0
	Private equity -(UK unquoted)	N	1051	3	1068	3
	Private equity - (Global unquoted)	N	1081	3	1007	2
	Hedge funds - (UK quoted)	Y	111	0	117	0
	Hedge funds - (UK unquoted)	N	1624	4	1700	4
	Hedge funds - (Global unquoted)	N	77	0	62	0
	Infrastructure - (Global quoted)	Y	161	0	126	0
	Infrastructure - (UK unquoted)	N	230	1	376	1
	Infrastructure - (Global unquoted)	N	247	1	330	1
	Opportunies - (UK quoted)	Y	555	1	606	1
Opportunies - (UK unquoted)	N	336	1	579	1	
Opportunies - (Global quoted)	Y	324	1	357	1	
Opportunies - (Global unquoted)	N	205	0	315	1	
Cash	Cash instruments	Y	814	2	1103	3
			41363	100	41535	100

Asset category	Group	Quoted	31/3/2013	%	31/3/2014	%
	Sub-category					
			£000		£000	
Equities	UK Quoted	Y	54743	24	56512	26
	Global quoted	Y	68258	32	65095	30
Bonds	UK Government	Y	10976	5	9019	4
	UK Corporate	Y	5291	2	5641	3
	UK Index linked	Y	23862	11	20347	10
Property	UK Direct	N	10642	5	10438	5
	Property Managed - (UK quoted)	Y	1247	1	1318	1
	Property Managed - (UK unquoted)	N	3323	2	3383	2
Alternatives	Property Managed - (Global)	N	1885	1	2006	1
	Private equity -(UK quoted)	Y	187	0	154	0
	Private equity -(UK unquoted)	N	5488	3	5496	3
	Private equity - (Global unquoted)	N	5644	3	5185	2
	Hedge funds - (UK quoted)	Y	580	0	604	0
	Hedge funds - (UK unquoted)	N	8479	4	8752	4
	Hedge funds - (Global unquoted)	N	402	0	320	0
	Infrastructure - (Global quoted)	Y	841	0	648	0
	Infrastructure - (UK unquoted)	N	1203	1	1936	1
	Infrastructure - (Global unquoted)	N	1289	1	1698	1
	Opportunies - (UK quoted)	Y	2898	1	3119	1
Opportunies - (UK unquoted)	N	1754	1	2981	1	
Opportunies - (Global quoted)	Y	1693	1	1838	1	
Opportunies - (Global unquoted)	N	1071	0	1620	1	
Cash	Cash instruments	Y	4251	2	5676	3
			216007	100	213786	100

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

32. Prudential Borrowing

The Authority is required under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, (developed by CIPFA) to monitor its performance against a framework of indicators. These indicators set limits of performance, affordability, prudence and sustainability and are comparable to the estimated indicators approved by the Authority at its meeting on 6 February 2014:-

Group Position	2012/13 Actual	2013/14 Revised Estimate	2013/14 Actual
	£m	£m	£m
Capital Expenditure			
Transport - Other	13.1	22.7	13.3
Tunnels	7.6	9.4	8.6
Programme Slippage	-	-2.1	-
	20.7	30.0	21.9
Ratio of Financing Costs to net Revenue Stream	18.9%	17.5%	17.9%
Capital Financing Requirement (Including Transferred Debts)	247.2	236.9	236.9

33. Related party disclosures

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. The directors regard the following as related parties:

(a) Directors and Authority members

Merseytravel directors have a dual role as chief officers of both the Executive and Authority and in some instances are also directors of the Executive's subsidiary companies. All directors' emoluments and member allowances are met in full by the Authority.

All members have at least two roles under the Local Government Act 1985 in that they represent both the District Councils and the Integrated Transport Authority. Several members also represent certain other bodies including the Local Government Association, ITA Special Interest Group, Mersey Dee Alliance, North West LA's Employers Organisation, North West Rail Forum, West Coast Rail Campaign, North of England Regional Consortium (including North West Regional Association, North West Partnership & North West Regional Chamber), Merseyside Strategic Transportation & Planning Committee, Travel Safe Board, Local Enterprise Partnership, City Region Board and Mersey Ferries Ltd. It is deemed that there is no conflict of interest.

Transactions with the above external bodies may include grants or contributions with specific conditions and requirements imposed upon the Authority. The majority of these will follow statutory or other Government guidance. Members set the levy in consultation with District Councils. The Levy funds the balance of service costs not covered by income or grant and for 2013/14 £127,364k (2012/13 £127,364k) was paid by the District Councils. Members also set the Tolls for Mersey Tunnels after consultation.

Details of directors emoluments are set out in note 9 and details of Member's allowances are set out in note 10.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

33. Related party disclosures (continued)

(b) Directors to the Executive's Subsidiary Companies

Note 20 shows the Authority's subsidiary companies. Some of the Authority's directors are also directors to the companies, with remuneration payable by the Authority. The Objectives of the subsidiary companies are compatible with those of the Authority. Four members of the Authority acted as directors of Mersey Ferries Limited during different periods during 2013/14. These directors received no remuneration (2012/13 £10k) from the Subsidiary Company.

(c) Subsidiary Companies

The Authority controls its subsidiaries, as set out in note 20. As the Authority operates one bank account, an inter-company debt exists between the Authority and the Executive of £35,617k (2012/13 £26,810k). In addition the following were the transactions during the year and balances at the year end with the Executive:

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
MPTE (grant-related) 2014	-	211,820		
MPTE (grant-related) 2013	-	198,972		
MPTE (short term deposits) 2014				21,700
MPTE (short term deposits) 2013			-	29,400

Further details of the Authority's relationship with, and the grants paid to MPTE are contained within the Explanatory Forward on page 3 of the accounts. Outstanding balances as at 31 March are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received. No impairment of receivables has occurred during the year.

(d) European Union

Participation in fuel and energy saving projects, and part funding for infrastructure projects generate various grants for the Authority's subsidiary the Executive. There are minor controlling influences upon the Executive in that certain procedural requirements have to be met to ensure benefits can be claimed and received.

(e) Merseyside Pension Fund

The Merseyside Pension Fund, which is administered by Wirral Council, is considered a related party. Full details of transactions with the Pension fund are set out in note 31. At 31 March 2013, there was £68k payable to the pension fund via Wirral Council (2012 - £69k).

(f) UK government

In 2013/14 the Authority received:

- Strategic Rail Grant of £98,610k (2012/13 £89,209k)
- Local Transport Plan (LTP) Grant funding of £6.6m (2012/13 £6.5m)
- Better Bus Area Grant of £153k, of which £63k was utilised during the year
- Clean Bus grant of £819k, of which £571k was utilised

The Authority was appointed as the Accountable Body for the Merseyside Local Sustainable Transport Funding (LSTF) for both major/minor schemes and received £24.8m on behalf of the LSTF partnership. In 2012/13 £4.5m was disbursed to partners (with the Authority receiving £0.5m of that amount). In 2013/14 a further £7.1m was disbursed (Authority £1.1m). The unspent balance of funding (£13.2m) is included as a creditor within the balance sheet.

(j) PWLB/DfT – the Authority has a substantial Loans portfolio with both bodies and details of the transactions and balances are set out in note 29.

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

34. Commitments

Capital Commitments

As at 31 March 2014 the Authority was contractually committed to further capital works which amounted to approximately £3.5m (2012/13 £2.8m). Major contracts included the following schemes:-

	Group 2014 £000 Budget	Authority 2014 £000 Budget	Group 2014 £000 Committed	Authority 2014 £000 Committed
Mersey Tunnels	8,799	8,799	3,519	3,519
Electric charging posts	680	-	680	-
Lime st subway	260	-	260	-
Highways grant	6,600	-	6,600	-
Wirral P&R	787	-	787	-
Ferries Improvements	148	-	148	-
Hoylake station	220	-	220	-
Other Schemes	12,120	-	433	-
Total Capital Commitments	29,614	8,799	12,647	3,519

Authority Lease commitments

The Authority entered into a 30 year non-cancellable operating lease for its new headquarters building at Mann Island. The Authority received an incentive from the developer of £9m which equates to a 3 year rent free period, and which was used to finance the cost of bringing the building to a Category B fit out and also to finance the purchase of ICT and furniture. The incentive is being amortised over the life of the lease with the deferred credit at 31 March 2014 of £9,101k (2013 - £9,451k) shown in the balance sheet as Other Long Term Liabilities, £8,751k and £350k included within current liabilities.

A rent guarantee incentive of £3m was also secured in 2011/12 to compensate the Authority for vacant floors (floors 3-5) for which rental is being paid. This rental guarantee continues to be drawn down if floors are vacant up to a limit of 5 years. Any balance unused will be split equally between the Authority and the developer of Mann Island, Countrywide Neptune.

The Authority has no assets held under finance leases.

Group Lease Commitments

Total commitments payable by the group under non-cancellable operating leases are as follows:

	Group		Authority	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating leases which will expire:				
Within 1 year	14,929	14,973	2,790	2,781
Within 2 to 5 years	56,539	23,289	11,160	11,124
Over 5 years	64,170	66,744	64,170	66,744

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

The Authority will receive sublease income in respect of the above properties of £219k per annum (£3,285k in total) under non-cancellable property subleases.

The Authority through its Grant to the PTE also funds the Executive's subsidiary company MPTS, which has two operating leases, one for the rental of Beetham Court for office accommodation and another for the operating rental of the Merseyrail Rolling Stock. The latter has a back to back lease with Merseyrail Electrics who fully reimburse the cost of this lease. In the unlikely event that Merseyrail Electrics default in its payment the Authority through the Executive would guarantee the lease payments to the Lessor, Angel Trains, until a replacement franchise operator was appointed. Future minimum payments receivable under non -cancellable operating leases are:

The Executive relocated its headquarters to Mann Island in March 2012, transferring staff previously based at Beetham Court and Hatton Garden. The lease for Beetham Court expired in May 2013.

The lease with Angel Trains expires in May 2015. However, negotiations have recently finalised to extend this lease until new rolling stock becomes available or the existing fleet undergoes a major refurbishment. The lease costs in the above table reflect the existing position of expiry in December 2018.

Lessor

Through its subsidiary the Executive, the Authority holds several operating leases with third parties. These are for interchange sites and ferry terminals in the Merseyside area. These non -cancellable leases have remaining terms of between 2 and 17 years.

Future minimum payments receivable under non-cancellable operating leases are:

	Group		Authority	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Operating leases which will expire:				
Within 1 year	645	413	-	-
Within 2 to 5 years	2,569	1,626	-	-
Over 5 years	9,371	3,295	-	-

Departure charges and facility fees charged to bus operators for the use of the Executive's bus stations are not included in the above table. For 2013/14, the Executive received £1,068k (2012/13 £1,032k) for these fee.

35. Post balance sheet events

The Authority has considered events after the date of the Statement of Financial Position up to the time of the authorisation of the Statement of Accounts. The figures in the financial statements have been adjusted in all material

There have been no significant events since 31 March 2014 that are relevant to an understanding of the Authority's financial position.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure relation to the financial year but not received or paid as at 31st March.

BALANCES (OR RESERVES)

These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unuseable reserves which are used for technical

CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer Equipment.

CAPITAL ADJUSTMENT ACCOUNT

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

CAPITAL RECEIPTS

Income received from the sale of land, buildings or equipment.

CENTRAL SUPPORT SERVICES

Support provided to front line services by the administrative and professional officers, including financial, legal, personnel, computer, property and general administrative support.

COMMUNITY ASSETS

The class of Fixed Assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

CONTINGENT ASSET

An asset arising from past events, where its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council (e.g. the outcome of a court case); or
- A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

CORPORATE AND DEMOCRATIC CORE

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost relating to the corporate management and democratic representation.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31st March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31st March.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY GLOSSARY OF FINANCIAL TERMS

DEFERRED CAPITAL INCOME

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

DIRECT SERVICE ORGANISATION

A unit operating within the Council's responsibility that has won work in open competition with private firms to deliver certain services to residents.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the account.

FINANCE LEASE

A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to substantially the all of the fair value of the leased asset.

FIXED ASSETS

Tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

IMPAIRMENT

A reduction in the recoverable amount of a fixed asset, below its carrying value (e.g. obsolescence, damage or adverse change in statutory environment).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A new statement from 2010-11, which details the total income received, expenditure incurred by the authority during a year in line with IFRS reporting as introduced by the new Code.

INFRASTRUCTURE ASSETS

A class of assets whose life is of indefinite length and which are not usually capable of being sold such as highways and footpaths.

INTANGIBLE FIXED ASSETS

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY GLOSSARY OF FINANCIAL TERMS

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The amount at which an asset could be sold after the deduction of any direct selling costs.

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

- retirement benefit costs (past service costs, settlements and curtailments) (NB: Current service pension costs is included in the total costs of services)
- the costs associated with unused shares of IT facilities
- the costs of shares of other long-term unused but unrealisable assets.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental over the useful life of the asset.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority, in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase in the value of benefits payable that were earned in prior years arising because of improvements to retirement benefits.

POST BALANCE SHEET EVENTS

These events, both favourable and unfavourable, are which occur between the balance sheet date and the date on which the statement of accounts are finally signed by the Chief Operating Officer.

PRIOR YEAR ADJUSTMENT

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

PROVISIONS

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that local authority's capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific Prudential indicators.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY GLOSSARY OF FINANCIAL TERMS

interests; or

- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RESERVES

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

REVENUE EXPENDITURE

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England & Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note effectively replaces the statement of movement on General Fund balances and presents all adjustments made to the CIES to deflect unnecessary impact on the general fund reserve and therefore council tax payer.

THE CODE (FORMERLY STATEMENT OF RECOMMENDED PRACTICE (SoRP))

The new Code was issued in 2010 and incorporates new guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code and former SoRP has statutory status via the provision of the Local Government Act 2003.

MOVEMENT IN RESERVES STATEMENT

This new financial statement presents the movement in useable and unuseable reserves (the councils total reserve balances).

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY GLOSSARY

Glossary of Acronyms used in these Accounts

(M)ITA	(Merseyside) Integrated Transport Authority
(M)PTE	(Merseyside) Passenger Transport Executive
APR	Annual Performance Review
ATL	Accrington Technologies Ltd
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance Accountants
CODE	CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom
CPI	Consumer Price Index
DfT	Department for Transport
MPF	Merseyside Pension Fund
DRCM	Democratic Representation and Corporate Management
EMU	Economic and Monetary Union
ENCTS	English National Concessionary Travel Scheme
EPOS	Electronic Point of Sale
FAR	Fixed Assets Register
FRAB	Financial Reporting Advisory Board (HM Treasury)
RCCO	Revenue contributions to Capital Outlay
GRN	Goods received note
GSML	Global Smart Media Ltd
I&E a/c	Income and Expenditure Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
IT	Information Technology
ITSO	Integrated Transport Smartcard Organisation
JVC	Joint Venture Company
LGPS	Local Government Pension Scheme
LSP	Liverpool South Parkway
LSTF	Local Sustainable Transport Fund
LTP	Local Transport Plan
MEL	Merseyrail Electrics Ltd
MFL	Mersey Ferries Ltd
MIRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
OTOF	One Team, One Family (Organisation Development Initiative)
PTEG	Passenger Transport Executives Group
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RPI	Retail Price Index
SNR	Serco Ned Rail
SOLACE	Society of Local Authority Chief Executives
SRG	Special Rail Grant
TBS	The Beatles Story
TWA	Transport and Works Act
VFM	Value For Money

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Revenue Account

For the year ended 31 March 2014

2012/13 £000		2013/14 £000
	<u>Operating Expenditure</u>	
4,300	Employees	4,303
1,410	Premises	1,392
1,207	Supplies & Services	1,311
147	Transport	149
7,187	Central Support Services	6,638
14,251	Total Operating Expenditure	13,793
	<u>Asset Financing</u>	
5,941	Capital Charges	5,508
7,500	Revenue Contributions to Capital Outlay	8,565
3,663	Levy Repayment	3,663
-	Transfers to/(from) Repairs & Renewals Fund	-1,500
17,104	Total Asset Financing	16,236
31,355	Total Expenditure	30,029
	<u>Income</u>	
37,360	Toll Income	39,865
349	Fees and Other Charges	342
-	Release of provision	-
37,709	Total Income	40,207
-6,354	(Surplus)/Deficit before charging	-10,178
6,354	Tunnels Act 2004	10,178
0	Total Deficit	0

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Balance Sheet as at 31 March 2014

As at 31/03/2013 Tunnels £000		As at 31/03/2014 Tunnels £000
	NON-CURRENT ASSETS	
	Property, Plant & Equipment:	
2,555	Freehold Property	3,206
-	Leasehold Property	-
1,347	Vehicles, Plant, Furniture & Equipment, Vessels	1,641
272,404	Infrastructure Assets	276,408
450	Community Assets	450
74	Surplus Assets	74
276,830	Total PPE	281,779
-	Investments	-
-	Long Term Debtors	-
276,830	TOTAL NON-CURRENT ASSETS	281,779
	CURRENT ASSETS	
615	Inventories	622
225	Short Term Debtors	264
5	Rechargeable accounts	5
36,027	Cash and cash equivalents	33,116
36,872	TOTAL CURRENT ASSETS	34,007
313,702	TOTAL ASSETS	315,786
	CURRENT LIABILITIES	
(1,811)	Deferred Liabilities - repayable within 12 months	(1,811)
(3,083)	Internal loan - repayable within 12 months	(3,361)
(900)	Long Term Borrowing - repayable within 12 months	(870)
(6,686)	Short Term Creditors	(7,504)
(28)	Provisions	(39)
(12,508)	TOTAL CURRENT LIABILITIES	(13,585)
24,364	NET CURRENT ASSETS	20,422
	NON-CURRENT LIABILITIES	
(127)	Long Term Creditors	-
(220)	Provisions	(193)
(21,733)	Deferred Liabilities	(19,922)
(3,361)	Internal loan	-
(21,665)	Long Term Borrowing	(20,879)
-	Other Long Term Liabilities	-
(47,106)	TOTAL NON CURRENT LIABILITIES	(40,994)
254,088	NET ASSETS	261,207
	FUNDS BALANCES & RESERVES	
7,256	Useable Reserves - Repairs and Renewals Fund	5,756
291	Unusable Reserves - Revaluation reserve	291
246,541	Unusable Reserves - Capital Adjustment Account	255,160
254,088	TOTAL RESERVES	261,207

This balance sheet is a memorandum item only and consequently does not include transactions relating to IAS 19 (Pensions)